

SOCIAL SECURITY BENEFIT INCREASE

NOVEMBER 9, 1973.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. ULLMAN, from the Committee on Ways and Means,
submitted the following

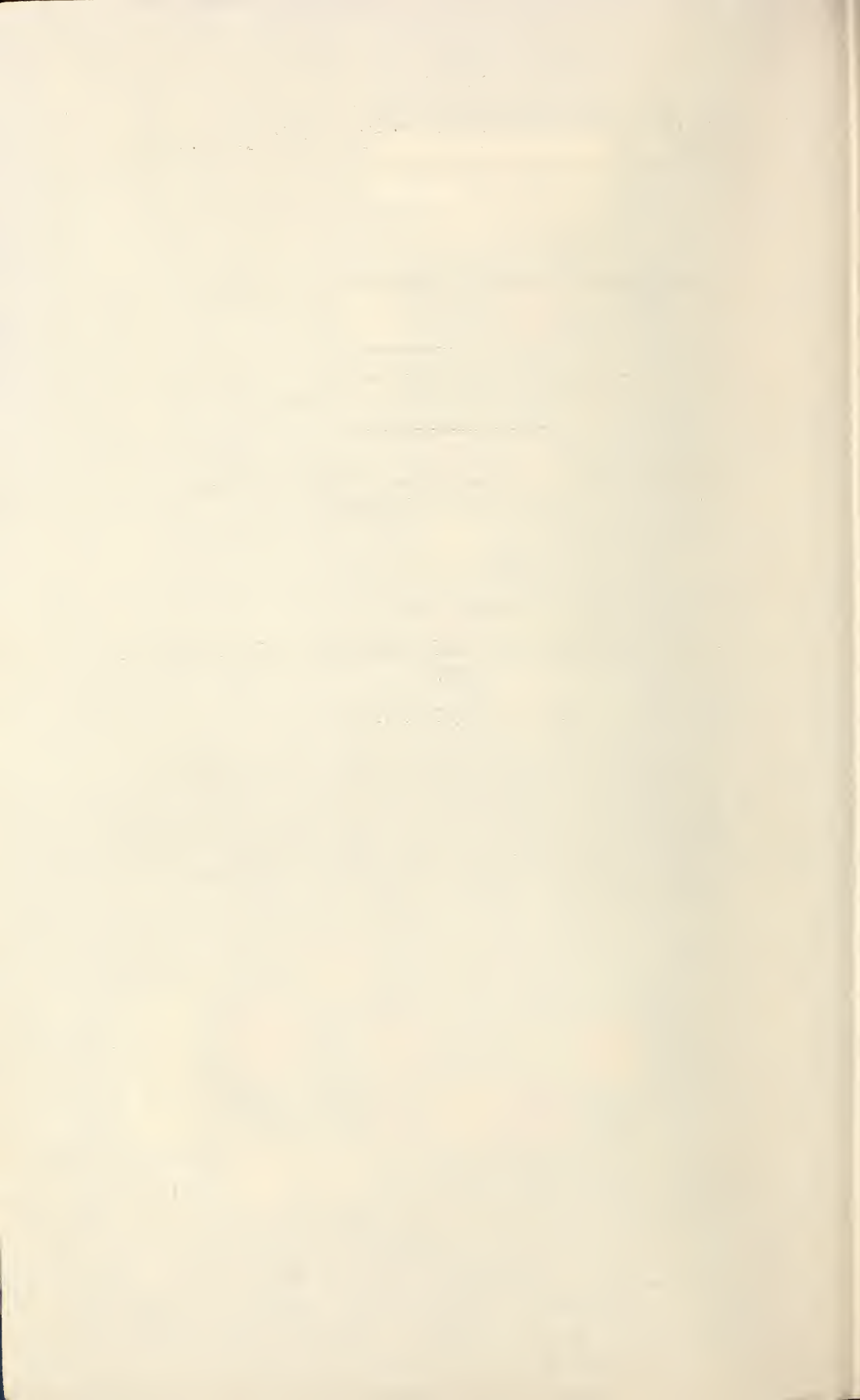
REPORT

together with

DISSENTING, MINORITY, AND ADDITIONAL MINORITY VIEWS

[To accompany H.R. 11333]

The Committee on Ways and Means, to whom was referred the bill (H.R. 11333) to provide a 7-percent increase in social security benefits beginning with March 1974 and an additional 4-percent increase beginning with June 1974, to provide increases in supplemental security income benefits, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.



93rd Congress
1973-1974

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I. PURPOSE AND SCOPE OF THE BILL

Public Law 93-66, enacted in July 1973, would provide a 5.9-percent cost-of-living increase applicable only to social security benefits payable for June 1974 through December 1974. This benefit increase was enacted as an advance payment of a portion of the first automatic benefit increase, which would be effective for January 1975. In addition, Public Law 93-66 provided that payments under the supplemental security income (SSI) program, which will replace the State programs of aid to the aged, blind, and disabled beginning January 1, 1974, would be increased from \$130 for a single individual and \$195 for a couple, to \$140 and \$210 effective with July 1974 (payable early in July).

Since the enactment of Public Law 93-66 early in July, the cost-of-living index—particularly those elements which have the greatest effect on individuals not in the labor force, such as the price of food—has risen more rapidly than at any time since the post-World War II period. In the 3 months' time, July, August, and September, the index has risen at a seasonally adjusted annual rate of 10.3 percent and the food component of the index has risen at a seasonally adjusted annual rate of 28.8 percent. Your committee believes, therefore, that Congress should act now both to provide assurance to beneficiaries that the social security and supplemental security income programs are responsive to changing needs by improving benefits as quickly as possible, and to maintain confidence in the fiscal integrity of the system by improving the actuarial soundness of the program.

Your committee's bill would provide for a flat 7-percent social security benefit increase for March 1974 (reflected in the checks received early in April) which would be a partial advance payment of a permanent 11-percent benefit increase effective for June 1974 (reflected in the checks payable early in July 1974).

Your committee's bill would also bring the long-range actuarial deficit of the system within acceptable limits by increasing the annual amount of earnings subject to tax and creditable for benefits and by making small increases and adjustments in the social security tax schedule.

In addition, your committee's bill provides that SSI benefits would be increased from \$130 to \$140 for a single individual and from \$195 to \$210 for a couple effective in January 1974 (reflected in the checks received in January). A further increase of \$6 for a single individual and \$9 for a couple would be effective in July 1974 (reflected in the checks received in July).

II. PRINCIPAL PROVISIONS OF THE BILL

The bill would provide a two-step, 11-percent cost-of-living increase in social security benefits. The first step would be an interim 7-percent increase in benefits payable for March 1974 (the check received in April), while the second step would make the full 11-percent increase

payable with the June 1974 benefits (the check received in July). Under the bill, the minimum benefit would be increased from \$84.50 to \$90.50 a month for March through May 1974 and to \$93.80 per month for months after May 1974. The average old-age benefit payable for March would rise from \$167 to \$178 per month and then to \$186 a month for June 1974, and the average benefit for an aged couple would increase from \$277 to \$296 per month for March and to \$310 for June 1974. Average benefits for aged widows would increase from \$158 to \$169 for March and to \$177 for June 1974.

Special benefits for persons age 72 and over who are not insured for regular benefits would be increased for individuals from \$58 to \$62.10 a month for March through May 1974 and to \$64.40 per month for June 1974, and for couples from \$87 a month to \$93.20 a month for March through May and to \$96.60 per month for June 1974 and after.

ESTIMATED EFFECT OF SPECIAL BENEFIT INCREASE OF 7 PERCENT, EFFECTIVE MARCH 1974 AND PERMANENT 11-PERCENT INCREASE EFFECTIVE JUNE 1974, ON AVERAGE MONTHLY BENEFIT AMOUNTS IN CURRENT-PAYMENT STATUS FOR SELECTED BENEFICIARY GROUPS

| Beneficiary group | Average monthly amount | | |
|--|---------------------------------|--------------------------------|---------------------------------|
| | Before 7-percent increase | After 7-percent increase | After 11-percent increase |
| 1. Average monthly family benefits: | | | |
| Retired worker alone (no dependents receiving benefits)..... | \$162 | \$173 | \$181 |
| Retired worker and aged wife, both receiving benefits..... | 277 | 296 | 310 |
| Disabled worker alone (no dependents receiving benefits)..... | 179 | 191 | 199 |
| Disabled worker, wife, and 1 or more children..... | 363 | 388 | 403 |
| Aged widow alone..... | 158 | 169 | 177 |
| Widowed mother and 2 children..... | 390 | 417 | 433 |
| 2. Average monthly individual benefits: | | | |
| All retired workers (with or without dependents also receiving benefits)..... | 167 | 178 | 186 |
| All disabled workers (with or without dependents also receiving benefits)..... | 184 | 197 | 206 |

The provision for automatically adjusting benefits to increases in the cost of living enacted in July 1972 is also modified by the bill so that automatic benefit increases would take effect for June rather than January of each year. The first automatic benefit increase possible would take effect in June 1975 rather than January 1975 as under present law.

The bill would also increase from \$8.50 to \$9 the amount payable under the special minimum benefit provision for each year of coverage in excess of 10, but not more than 30. Thus, the highest special minimum would increase from \$170 to \$180 for workers with 30 or more years of coverage.

Approximately 30 million beneficiaries would become entitled to higher payments for March 1974. About \$2.4 billion in additional benefits would be paid in calendar year 1974.

The bill provides modifications in the financing of the social security system in order to reduce the long-range actuarial deficit of the system. The amount of annual earnings subject to the tax and creditable for benefits would be increased from \$12,600 to \$13,200 effective January 1974. The tax schedule would be modified as indicated in the table below:

SOCIAL SECURITY TAX RATES FOR EMPLOYERS, EMPLOYEES, AND SELF-EMPLOYED PERSONS UNDER PRESENT LAW AND COMMITTEE BILL

[In percent]

| | Present law | | | | | | Committee bill | | | | | |
|------------------------|-----------------------------|------|-------|---------------|------|-------|-----------------------------|------|-------|---------------|------|-------|
| | Employer and employee, each | | | Self-employed | | | Employer and employee, each | | | Self-employed | | |
| | OASDI | HI | Total | OASDI | HI | Total | OASDI | HI | Total | OASDI | HI | Total |
| 1974 through 1977..... | 4.85 | 1.00 | 5.85 | 7.0 | 1.00 | 8.00 | 4.95 | 0.90 | 5.85 | 7.0 | 0.90 | 7.90 |
| 1978 through 1980..... | 4.80 | 1.25 | 6.05 | 7.0 | 1.25 | 8.25 | 4.95 | 1.10 | 6.05 | 7.0 | 1.10 | 8.10 |
| 1981 through 1985..... | 4.80 | 1.35 | 6.15 | 7.0 | 1.35 | 8.35 | 4.95 | 1.35 | 6.30 | 7.0 | 1.35 | 8.35 |
| 1986 through 2010..... | 4.80 | 1.45 | 6.25 | 7.0 | 1.45 | 8.45 | 4.95 | 1.50 | 6.45 | 7.0 | 1.50 | 8.50 |
| 2011 plus..... | 5.85 | 1.45 | 7.30 | 7.0 | 1.45 | 8.45 | 5.95 | 1.50 | 7.45 | 7.0 | 1.50 | 8.50 |

The bill advances increases under the SSI program of \$10 for an individual and \$15 for a couple which would be effective in July 1974, under Public Law 93-66 to the initial payments which will be made under that program in January 1974. Your committee's bill provides further increases of \$6 for an individual and \$9 for a couple in July 1974, when the second portion of the increase in social security benefits would be paid.

III. GENERAL DISCUSSION

A. Background Information on Existing Legislation

Public Law 92-336, enacted in July of 1972, contained provisions to increase social security benefits by 20 percent for September 1972 and to increase benefits automatically in the future in proportion to increases in the cost of living. Generally speaking, if the cost of living rises by at least 3 percent between the base periods specified in the law, social security benefits are increased under these provisions by the same percentage as the increase in the cost of living. Each of the benefit increases becomes effective for the January following the year in which the rise in the cost of living is computed. The first of the cost-of-living increases under the provisions of present law cannot take effect until January 1975.

Public Law 93-66, enacted in July of 1973, provided for a special 5.9 percent cost-of-living increase applicable only to benefits payable for June 1974 through December 1974. This increase, which was based upon the increase in the cost of living in the 12-month period between June 1972 and June 1973, was enacted as an advance payment of a portion of the first automatic benefit increase which would be effective for January of 1975. Under it, the 5.9 percent advance benefit increase would, in effect, be deducted from the automatic increase that would be payable for January 1975.

The estimated amount of the automatic benefit increase that would be payable for January of 1975 has been increased on several occasions since Public Law 92-336 was enacted. When the Social Security Amendments of 1972 (Public Law 92-603) were enacted a little over a year ago, the amount of the automatic benefit increase for January 1975 was estimated to be 5.1 percent. When Public Law 93-66 was enacted in July of 1973, it was estimated that the first automatic benefit increase would be between 7.1 percent and 8.5 percent, as a result of continued high increases in the cost of living. The amount of the automatic benefit increase for January 1975 is now estimated to be

11.5 percent. These several revisions, which reflect higher increases in living costs than earlier expected, have significant effects upon future social security trust fund balances.

The estimated long-range deficit of the present old-age, survivors, and disability insurance (OASDI) system (over the 75-year period used for making such estimates) is now -0.76 percent of payroll, up from -0.32 percent shown in the trustees report submitted to Congress in July 1973.

B. Change in Social Security Benefit Increase

Since the 5.9-percent benefit increase was enacted in July the cost of living has continued to increase at a very high rate. Your committee now believes that the 5.9-percent benefit increase which would not be received by beneficiaries until July of next year is no longer adequate to assure that payments made to social security beneficiaries will be increased to reflect the unusually rapid increase in living costs that have persisted in the months since Public Law 93-66 was enacted.

Your committee's bill, therefore, would substitute for the 5.9-percent benefit increase effective for June 1974, a two-step cost-of-living benefit increase; a 7-percent interim increase effective for March through May 1974 followed by the full 11-percent across-the-board increase effective for June 1974. These increases would also apply to the special payments made to persons age 72 and over who are not insured for regular social security cash benefits.

Present law provides a special minimum benefit for people who have worked for relatively low wages for long periods of time. When this provision was enacted in 1972, the law provided specifically that benefits based on this provision would not be increased when regular automatic cost-of-living benefit increases occurred. Because of the short period of time that this provision has been in effect, not enough data has been gathered concerning the recipients of these payments to determine with any degree of certainty the need for increasing these benefits on a periodic basis. The committee's bill, however, does provide for a one-time permanent increase in the special minimum benefit. The bill would increase from \$8.50 to \$9 the amount payable for each year of coverage in excess of 10 years and less than 30 years. Thus, the highest special minimum payment would increase from \$170 to \$180 for workers with 30 or more years of coverage. This action should not be taken as a judgment that these payments are to be increased in the future.

C. Changes in the Automatic Benefit Adjustment Provisions

Under present law, the cost of living for the automatic benefit increase provisions is measured from the second quarter of one year to the second quarter of the next year with any benefit increase payable for the following January. This results in a 7-month lag between the end of the period which is used to determine the rise in the cost-of-living for an automatic benefit increase and the payment of such increase. (The January check is actually received in February, 7 months after the close of the second calendar quarter.)

Your committee believes that an increase under the automatic benefit adjustment provisions of the law should reflect the rise in the

cost of living as closely as possible. In order to achieve this purpose, the bill would change the automatic adjustment provisions of the law to provide that future benefit increases be computed on the basis of the Consumer Price Index for the first calendar quarter rather than the second calendar quarter of the year as under present law and that the resulting automatic benefit increase be effective for June of the year in which a determination to increase benefits is made. This would reduce the lag between the end of the calendar quarter used to measure the rise in the cost of living and the payment of the resulting benefit increase from 7 months to 3 months. It would also mean that automatic benefit increases in the future would be payable in the month in which any revised premiums under the supplemental medical insurance program would be effective, thus providing the opportunity to make both adjustments in benefit checks at the same time.

Since the 11-percent benefit increase provided for in the bill approximately reflects the estimated rise in the cost of living into the second calendar quarter of 1974, the bill provides specifically that for purposes of determining the first automatic benefit increase effective for June 1975, the increase in living costs would be determined from the second calendar quarter of 1974 to the first calendar quarter of 1975.

These changes would not affect the automatic adjustment provisions relating to the contribution and benefit base and the earnings limitation, except that these increases would occur periodically in January following a June benefit increase rather than in the same January for which benefits would be increased under present law. The bill specifically provides that the 11-percent benefit increase for June of 1974 provided for by the bill shall be considered an automatic benefit increase for purposes of permitting an automatic increase in the contribution and benefit base and the earnings limitation effective beginning January, 1975.

D. Financing of the Social Security System

In the course of consideration of this benefit increase, your committee became concerned about the financial soundness of the present program. Although your committee believes that this bill will make a significant improvement in the financial status of the program, it believes that a basic review of the financing and other major characteristics of the system is overdue. To this end, your committee has instructed the Secretary of Health, Education, and Welfare to expedite the appointment of the next Advisory Council on Social Security (which under present law is required to be appointed by the end of December 1973) and to inform the Council of your committee's concern. Your committee also instructs the Council to consider the role of the social security program in providing an adequate level of benefits in addition to an equitable benefit based on individual earnings levels. Your committee further instructs the Council to review in depth the existing methods of financing social security benefits, and both the short-range and the long-range implications as to benefits and taxes as well as to the economy in general.

Your committee has also instructed its staff to conduct an independent review of these same matters using the resources of the Congressional Research Service, the General Accounting Office, and all other available sources as required.

In this connection, your committee has been advised that the Congressional Research Service has taken steps to develop an independent actuarial resource which would be available to the Congress and urges that such an effective resource be developed as rapidly as possible.

E. Reasons for a Flat Interim Benefit Increase

When your committee was considering various alternative benefit increases, it was informed by the Social Security Administration that it would not be possible to issue checks to beneficiaries containing a regular benefit increase prior to the checks that are scheduled to be mailed on May 3, 1974.

The Social Security Administration informed the committee that it did not have the capability to implement the new SSI program and at the same time recompute the benefits of all social security beneficiaries in the manner that social security benefit increases have been enacted in the past and to reflect such a benefit increase in the checks received by social security beneficiaries prior to the checks which will be issued and mailed on May 3, 1974.

With respect to the 7-percent benefit increase payable for March through May of 1974, your committee's bill therefore provides for a simplified benefit increase that is different in nature from the benefit increases that have been enacted in the past. Under usual benefit increase provisions (including the automatic benefit provisions), the basic primary insurance amount (PIA) which is used to compute the amount of the various types of social security benefits is raised by the required percentage and then all benefits are recomputed based on the increased PIA amount.

The interim 7-percent increase effective for March 1974, would be applied directly to the individual benefit amounts would be payable under present law rather than to the PIA amounts, thus avoiding the time consuming procedures required to increase individual benefits based on increased PIA amounts.

The Social Security Administration informed your committee that it would be possible to reflect this type of a benefit increase in the social security benefit checks that are mailed to beneficiaries on April 3, 1974. The 11-percent across-the-board increase effective for June 1974 will raise the PIA amounts as has been done in previous benefit increases.

F. Supplemental Security Income Benefits

The new program of supplemental security income (SSI) is a federally administered program which will take over most of the responsibility of the former Federal-State programs of old-age assistance, aid to the blind, and aid to the permanently and totally disabled on January 1, 1974. The task of conversion to a single Federal program with uniform standards for Federal benefits has been a monumental one and is now far advanced. It is estimated that over 3 million recipients under the State programs will move into the new program—up to 3 million more people may be eligible for benefits under it.

In July 1973 there were 1,839,000 recipients of old-age assistance, 78,000 recipients of aid to the blind, and 1,217,000 recipients of aid to the permanently and totally disabled. All of these recipients will

qualify for the SSI program or for State supplements. It has been reported that some States have been carefully reexamining their Aid to Families with Dependent Children and general assistance rolls to determine whether any of these persons will qualify. Thus, the total number of present welfare recipients who are transferred to the program will probably be larger than the number in the present aged, blind, and disabled categories. The Federal Government will bear the full administrative costs of the SSI program and an option is provided to States for the Federal Government to administer any State supplemental payments, thereby relieving the States of very substantial administrative costs. Persons eligible for SSI must meet a standard test of need including both income and resources and as a group may be assumed to include a very high proportion of beneficiaries who are in greatest need because of recent rapid increases in the cost of living.

The committee considered it desirable to increase the benefits to these persons even before the social security benefit increase could become effective. Under existing law, benefits would be \$130 for an eligible individual without other income and \$195 for such an individual and a spouse from January to June 1974 and would be increased in July to \$140 for an individual and \$210 for a couple. Your committee bill moves this increase forward to January 1, a change which the Social Security Administration testified was administratively feasible. The bill would further increase these amounts to \$146 and \$219 on July 1 when the full social security increase occurs. While the January increase precedes the 7-percent advance payment of the social security increase, it is roughly proportionate to it and the July increase approximates the same percentage which the additional social security benefit increase in the July 1974 social security checks represents. Conforming changes were made in the benefits of certain essential persons provided under Public Law 93-66 so that they will conform to a spouse's benefit as they did under that law.

A considerable number of States expect to supplement the SSI benefit because the new Federal benefit will be smaller than the amount that they have previously paid. (For persons with larger incomes in December 1973 as a result of payments under State welfare programs, supplementation is mandated under Public Law 93-66.) States have, in many instances, already made their plans and received their appropriations for these payments. The committee accordingly felt it necessary to give them maximum flexibility during the beginning of the program. Eight States are subject to the so-called hold harmless provision of Public Law 92-603 which provides that the States may maintain an "adjusted payment level" equivalent to payments which would have been made under its plan in January 1972 and that if providing this amount to SSI beneficiaries exceeds the expenditures made by the States from non-Federal funds during the calendar year 1972, the Federal Government will pay the excess.

The Congress, in developing the supplemental security income program, established a uniform benefit structure which was regarded as the Federal responsibility. It recognized that States might wish to add to the amount of the Federal benefit because of living arrangements, high living costs and other factors. However, its clear and unequivocal intention was that such payments would be a State responsibility and wholly State financed. A "hold harmless" provision was included because of the uncertainty of costs of trying to maintain

benefit levels comparable to what the States have been paying. However, it was not intended that modification of total income be assured. Notwithstanding this general philosophy, at this late date, your committee does not believe that all States can shift their financial planning before January 1. The bill accordingly provides that during the calendar year 1974, the "adjusted payment level" computed for purposes of the "hold harmless" provision may be raised by the amount of the January increase in SSI benefits (\$10 for individuals and \$15 for couples).

The concept of adjusted payment levels is essentially on an average basis and in many States the actual level varies according to living arrangements and geographical locations of recipients. The same concept of averaging would be expected to apply to the distribution of the \$10 and \$15 increase if a State chooses to adjust some or all of its adjusted payment levels. No State is mandated to increase the total income of SSI beneficiaries above what is now planned when that income is made up in part of the Federal supplemental security income benefit and in part of a State supplemental payment. It should be clearly understood that this provision was included *only* because of the lack of time in relation to the January 1, 1974, starting date of the SSI program and the possible difficulties of securing changes in State legislation, appropriations and plans already made for the initial phase of the SSI program. It is *not* the intention of the committee that this should be taken as any modification of our intention in Public Law 92-603 which established the SSI program.

IV. ACTUARIAL COST ESTIMATES UNDER THE BILL

A. Summary of Actuarial Status and Changes in Methodology

1. *Old-age, survivors, and disability insurance program*

The long-range cost estimates for the old-age, survivors, and disability insurance system, as modified by the amendments, as well as for its two portions (OASI and DI) considered individually, show that future income and outgo are in close balance. These estimates follow the methods and financing policies adopted in July 1972 when Public Law 92-336 was enacted.

Two important changes were then incorporated into the financing of the program. One is related to the actuarial methodology used to evaluate the long-range cost of the OASDI system. The second deals with the financing policy to be followed in the future. Both of these changes were recommended by the 1971 Advisory Council on Social Security; and both were endorsed by the Board of Trustees of the Federal Old-Age, Survivors, and Disability Insurance Trust Funds.

The most important change involved in the new actuarial methodology lies in the adoption of dynamic assumptions as to benefits, taxable earnings, and the taxable earnings base in contrast to the static assumptions that were employed prior to 1972.

The new methodology is such that if all of the actuarial and economic assumptions should be exactly realized, the financing would provide sufficient income so that in the future the benefit table could be increased as fast as the Consumer Price Index (CPI), as provided under the automatic provisions in the law. Benefit increases that may be enacted in the future beyond those automatically provided for would require additional financing. The contribution tax schedules

in the bill were designed to finance all the costs arising from the provision in the law as it was amended.

In recognition of the sensitivity of the estimates to various demographic and economic factors, a margin for contingencies has been introduced into the long-range cost estimate for OASDI, and is included within the tax schedule recommended by your committee.

The important change in the financing policy is that the concept of "current-cost" financing is used in determining the tax schedule. Under this concept the contribution rates are determined so that the OASDI trust funds increase in size as expenditures increase and serve as a reserve for future contingencies. In the financing of the bill your committee adopted financial arrangements that would yield sufficient income to meet outgo both in the near term and for many years in the future.

2. Hospital insurance program

The long-range cost estimates for the hospital insurance program, under the modified tax schedule in the bill, show that over the 25-year period used to evaluate the program, future income and outgo are in close balance.

The methodology used to determine actuarial balance closely parallels that used for the OASDI program. However, since dynamic assumptions were already being used in the past to estimate benefits, taxable earnings, and earnings bases under the HI program, the new actuarial methodology used for the HI estimates is very similar to that used in estimates for previous legislation.

The financing policy to be followed in the future for HI also parallels that for the OASDI program.

B. Basic Actuarial Principles and Consideration

1. Actuarial soundness of the system

The Congress has always carefully considered the cost aspects of the old-age, survivors, and disability insurance system and of the hospital insurance system when amendments to the program have been made, and has very strongly believed that the tax schedule in the law should make these systems self-supporting and actuarially sound as nearly as can be foreseen.

The concept of actuarial soundness as it applies to the old-age, survivors, disability, and hospital insurance system differs considerably from this concept as it applies to private insurance or private pension plans, although there are certain points of similarity with the latter. In connection with individual insurance, the insurance company or other administering institution must have sufficient funds on hand so that if operations are terminated, it will be in a position to pay off all the accrued liabilities. This, however, is not a necessary basis for a national compulsory social insurance system and, moreover, is frequently not the case for well-administered private pension plans which may not, as of any given time, have enough assets to cover all the liability for prior service benefits.

It can reasonably be presumed that, under Government auspices, such a social insurance system will continue indefinitely into the future. The test of financial soundness then, is not a question of whether there are sufficient funds on hand to pay off all accrued liabilities. Rather, the test is whether the expected future income from tax contributions

and from interest on invested assets will be sufficient to meet anticipated expenditures for benefits and administrative costs over the long-range period considered in the actuarial valuation. Thus, the concept of "unfunded accrued liability" does not apply to a social insurance system as it does to a plan established under private insurance principles, and it is quite proper to count both on receiving contributions from new entrants to the system in the future and on paying benefits to this group during the period considered in the valuation. The additional assets and liabilities must be considered in order to determine whether the system is in actuarial balance.

The old-age, survivors, disability and hospital insurance programs are actuarially sound if they are in actuarial balance. This will be the case if the estimated future income from contributions and from interest earnings on the accumulated contingency trust funds will, over the long-range period considered in the valuation, support all the system's expenditures. Obviously, future experience may be expected to vary from any actuarial cost estimates made now. Nonetheless, the intent that the system be self-supporting (and actuarially sound) can be expressed in law by utilizing a contribution schedule that, according to the cost estimates, results in the system being in balance or substantially close thereto.

2. Interrelationship with railroad retirement system

An important element affecting old-age, survivors, and disability insurance costs arose through amendments made to the Railroad Retirement Act in 1951. These provided for a combination of railroad retirement compensation and old-age, survivors, and disability insurance covered earnings in determining benefits for those with less than 10 years of railroad service and also for all survivor cases.

Financial interchange provisions were established so that the old-age and survivors insurance trust fund and the disability insurance trust fund are placed in the same financial position in which they would have been if railroad employment had always been covered under the program. It is estimated that, over the long range, the net effect of these provisions will be a small loss to the old-age, survivors, and disability insurance system since the reimbursements from the railroad retirement system will be somewhat smaller than the net additional benefits paid on the basis of railroad earnings.

Similar provisions were established for the hospital insurance programs. However, the railroad retirement system essentially acts as an intermediary for benefit payments, and in addition, transfers to the HI trust fund the appropriate HI employer-employee contributions once a year.

C. Actuarial Cost Estimates for the OASDI System

1. Effect of the bill on the actuarial balance of the OASDI system

From an actuarial cost standpoint, the major features of the bill are as follows:

a. Benefits are increased by 11 percent effective for June 1974. A portion of this increase equivalent to 7 percent would be advanced and would be payable for the period March-May 1974 on a flat increase basis, i.e., all benefits would be increased 7 percent over what would be payable under the present law.

b. The automatic adjustment provisions are modified so that automatic increases in benefits would be effective for the month of June in each year based on the increases in CPI from the first calendar quarter of the previous year to the first calendar quarter of the year of the benefit increase. However, the first automatic increase would be based, as in present law, on CPI increases from the quarter in which the last legislated benefit increase was effective.

c. The taxable earnings base is increased from the scheduled \$12,600 to \$13,200 in 1974. This new base would be subject to automatic increases after 1974 according to the increases in average earnings. All increases in the base would be triggered by the automatic benefit increase in the previous year. However, the base increase for 1975 would be presumed to be triggered by the legislated benefit increase for June 1974.

d. The tax schedule would be modified as shown:

TABLE 1.—CONTRIBUTION RATES FOR OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE UNDER PRESENT LAW, AS COMPARED WITH THOSE UNDER THE BILL

[In percent]

| Calendar years | Employer and employee rate, each | | Self-employed rate | |
|---------------------|----------------------------------|------|--------------------|------|
| | Present law | Bill | Present law | Bill |
| 1974 to 1977..... | 4.85 | 4.95 | 7.0 | 7.0 |
| 1978 to 2010..... | 4.80 | 4.95 | 7.0 | 7.0 |
| 2011 and after..... | 5.85 | 5.95 | 7.0 | 7.0 |

TABLE 2.—CONTRIBUTION RATES FOR OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE UNDER THE BILL, SUBDIVIDED BY TRUST FUND

[In percent]

| Calendar years | Employer and employee rate, each | | | Self-employed rate | | |
|-------------------|----------------------------------|-------|-------|--------------------|-------|-------|
| | OASI | DI | Total | OASI | DI | Total |
| 1974 to 1977..... | 4.375 | 0.575 | 4.95 | 6.185 | 0.815 | 7.0 |
| 1978 to 1980..... | 4.350 | .600 | 4.95 | 6.150 | .850 | 7.0 |
| 1981 to 1985..... | 4.300 | .650 | 4.95 | 6.080 | .920 | 7.0 |
| 1986 to 2010..... | 4.250 | .700 | 4.95 | 6.010 | .990 | 7.0 |
| 2011 plus..... | 5.100 | .850 | 5.95 | 6.000 | 1.000 | 7.0 |

The changes in the actuarial balance of the system from its situation under present law to that under the bill, by type of change involved, is as follows:

TABLE 3.—CHANGES IN ACTUARIAL BALANCE OF THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM EXPRESSED IN TERMS OF ESTIMATED AVERAGE COST AS PERCENT OF TAXABLE PAYROLL, BY TYPE OF CHANGE, LONG-RANGE DYNAMIC COST ESTIMATES, PRESENT LAW AND THE BILL

[In percent]

| Item | OASI | DI | Total |
|--|-------|-------|-------|
| Actuarial balance under present law..... | -0.48 | -0.28 | -0.76 |
| \$13,200 earnings base in 1974..... | +0.04 | +0.01 | +0.05 |
| Benefit increase and change in automatics..... | -0.04 | (1) | -0.04 |
| Revised tax schedule..... | +0.05 | +0.19 | +0.24 |
| Total effect of change in bill..... | +0.05 | +0.20 | +0.25 |
| Actuarial balance under bill..... | -0.43 | -0.08 | -0.51 |

¹ Less than 0.005.

These long-range estimates are based on the assumption that average earnings will increase after 1977 at an annual rate of 5 percent, and that the CPI will increase at 2½ percent per year. In addition, a safety margin of three-eighths of 1 percent is added for every year after 1973 and before 2011.

It is estimated that the changes made by the bill would restore the sound actuarial position of the old-age, survivors, and disability insurance program, since the system would be in close actuarial balance.

Under the tax schedule recommended by your committee, the OASDI system would have an actuarial balance of -0.51 percent of taxable payroll, which is within an acceptable limit of variation of 5 percent of the cost of the system or about 0.57 percent of taxable payroll.

2. *Income and outgo in near future for the OASDI system*

Table 4 shows the progress of the old-age, survivors, and disability insurance trust fund under present law in the past and under the bill in the future. Under the system as modified by your committee's bill, the trust fund increases in all future years shown. In 1974, the trust fund increases by about \$1.9 billion, which is close to the average increase in funds in the 5-year period of the projection 1974-78. During this period the funds grow from \$44 billion at the end of 1973 to \$54 billion at the end of 1978.

TABLE 4.—OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE AND THE DISABILITY INSURANCE TRUST FUNDS, COMBINED, CALENDAR YEARS 1968-78

[In billions of dollars]

| Calendar year | Net income | Net disbursements | Net increase in fund | Fund at end of period |
|------------------------------|------------|-------------------|----------------------|-----------------------|
| 1968..... | 28.5 | 26.0 | 2.5 | 28.7 |
| 1969..... | 33.3 | 27.9 | 5.5 | 34.2 |
| 1970..... | 37.0 | 33.1 | 3.9 | 38.1 |
| 1971..... | 40.9 | 38.5 | 2.4 | 40.4 |
| 1972..... | 45.6 | 43.3 | 2.3 | 42.8 |
| Estimated future experience: | | | | |
| 1973..... | 54.8 | 53.4 | 1.4 | 44.2 |
| 1974..... | 63.1 | 61.2 | 1.9 | 46.1 |
| 1975..... | 68.5 | 67.6 | .8 | 46.9 |
| 1976..... | 74.8 | 73.1 | 1.7 | 48.6 |
| 1977..... | 80.9 | 77.8 | 3.1 | 51.7 |
| 1978..... | 85.5 | 83.7 | 1.9 | 53.6 |

3. *Increases in OASDI benefit disbursements in 1974-78*

The increases in the total benefit disbursements of the old-age, survivors, and disability insurance system in calendar years 1974-78, as a result of the changes in the bill are shown in table 5.

TABLE 5.—*Estimated additional OASDI benefit payments in calendar years 1974-78 under the provisions in the bill*

| Calendar year: | [In billions] | Additional benefits |
|----------------|---------------|---------------------|
| 1974..... | | \$2.4 |
| 1975..... | | 1.0 |
| 1976..... | | .4 |
| 1977..... | | -.7 |
| 1978..... | | 1.3 |

4. Long-range OASDI cost projections

(a) Long-range projection of OASDI "current-cost"

Table 6 shows the current-cost of the old-age and survivors insurance program and of the disability insurance program under the system as would be modified by the bill, as a percentage of taxable payroll. Also shown are the average costs of the two programs.

TABLE 6.—ESTIMATED CURRENT-COST ¹ OF OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM AS PERCENT OF TAXABLE PAYROLL, ² UNDER THE BILL, LONG-RANGE DYNAMIC COST ESTIMATE, ³ FOR SELECTED YEARS, 1980–2045

| Calendar year | Old age and survivors insurance | Disability insurance | Total |
|---------------------------------|---------------------------------|----------------------|-------|
| 1980..... | 8.92 | 1.26 | 10.18 |
| 1985..... | 8.97 | 1.29 | 10.26 |
| 1990..... | 9.11 | 1.32 | 10.43 |
| 1995..... | 8.83 | 1.37 | 10.20 |
| 2000..... | 8.47 | 1.47 | 9.94 |
| 2005..... | 8.42 | 1.62 | 10.04 |
| 2010..... | 8.92 | 1.75 | 10.67 |
| 2015..... | 9.64 | 1.78 | 11.42 |
| 2020..... | 10.48 | 1.77 | 12.25 |
| 2025..... | 11.26 | 1.76 | 13.02 |
| 2030..... | 11.25 | 1.73 | 12.98 |
| 2035..... | 11.20 | 1.77 | 12.97 |
| 2040..... | 11.22 | 1.79 | 13.01 |
| 2045..... | 11.36 | 1.80 | 13.16 |
| Average cost ⁴ | 9.81 | 1.58 | 11.39 |

¹ Represents the cost as percent of taxable payroll of all expenditures in the year, including amounts needed to maintain the funds at about the following year's expenditures.

² Payroll is adjusted to take into account the lower contribution rate on self-employment income, on tips, and on multiple-employer excess wages as compared with the combined employer-employee rate.

³ Under the dynamic assumptions, the average taxable earnings and the taxable earnings base are assumed to increase at a rate of 5 percent per year, while the benefit table is subject to annual increases of 2¾ percent according to increases in CPI. In addition, a margin of ⅜ of 1 percent is added for every year after 1973 and before the year 2011.

⁴ Represents the arithmetic average of the current-cost for the 74-year period 1973–2046 adjusted for the effect of the fund ratio at the end of 1972.

The above projections are based on the assumption that no future changes in the system will be enacted. This means that, according to the automatic provisions, the benefit table would be adjusted periodically to reflect increases in the CPI (assumed at 2¾ percent per year after 1977 and higher before then) and that the taxable earnings base would be adjusted simultaneously to reflect increases in earnings (assumed at 5 percent per year after 1977 and higher before then). In addition, a margin of three-eighths of 1 percent per year for years after 1973 and before 2011 has been included in these projections.

D. Basic Assumptions for Cost Estimates for Old-Age, Survivors, and Disability Insurance System

1. General basis for long-range cost estimates

The long-range estimates for the old-age, survivors, and disability insurance program presented in this report are based on the assumption that average earnings in covered employment will increase after 1977 at an annual rate of 5 percent. Similarly, the assumption has been made that the CPI will increase at an annual rate of 2¾ percent. Higher increases for both earnings and CPI are assumed for the early years. These assumptions yield, over the long-range, an implied increase in real earnings of 2¼ percent per year, which is close to the actual average experience of the last 20 years (estimated at about 2.2 percent

per year based on annual averages for the period 1952-72), although it must be observed that recent experience would indicate a lower average value (about 1.9 percent in the last 10 years and 1.4 percent in the last 5 years based on annual averages). In order to protect the financing of the system against possible future fluctuations in this factor, as well as in all the other factors used in the cost estimate, a safety margin of three-eighths of 1 percent has been added for every year after 1973 and up to the year 2010. It will be noted that the addition of this margin has approximately the same effect as an assumption that for the period 1974-2010, average real earnings will increase at only 1½ percent per year.

The estimates reflect the effects of the following changes assumed to occur, as a result of the automatic increase provisions under present law and under the system as it would be modified by committee bill, in each year 1975, 1976, 1977, and 1978 (amounts for 1974 are also shown as a basis for comparison):

TABLE 7.—ASSUMED FUTURE CHANGES UNDER AUTOMATIC PROVISIONS

| Year | General benefit increase (percent) | | Contribution and benefit base | | Annual exempt amount under the retirement test ¹ |
|--|---------------------------------------|-------------------|-------------------------------|-------------------|--|
| | Present law | Committee bill | Present law | Committee bill | |
| Special increase: ² 1974..... | 5.9 | 7.0 | \$12,600 | \$13,200 | \$2,400 |
| Permanent increase: ³ | | | | | |
| 1974..... | — | 11.0 | 12,600 | 13,200 | 2,400 |
| 1975..... | 11.5 | 3.1 | 13,500 | 14,100 | 2,520 |
| 1976..... | 4.0 | 3.1 | 14,400 | 15,000 | 2,640 |
| 1977..... | 3.0 | — | 15,300 | 15,900 | 2,880 |
| 1978..... | — | 5.8 | 15,300 | 15,900 | 2,880 |

¹ Amounts are the same under present law and under the modified system.

² Under the present law, as modified by Public Law 93-66, the special benefit increase of 5.9 percent is effective for the period June-December 1974; under the modified system, the special benefit increase of 7 percent is effective for the period March-May 1974.

³ The first permanent benefit increase (11.5 percent under present law and 11 percent under the committee bill) will be figured on the benefit rates now in effect and not on top of the special benefit increase (5.9 percent under present law and 7 percent under the committee bill). Permanent benefit increases under present law become effective for January of the stated year; under the modified system, they become effective for June.

It should be observed that the assumptions of constant annual increases in earnings and in the CPI were not adopted because it was felt that these increases would remain constant in the future. These assumptions are intended to represent average increases over the long-range future, with the increases being higher in some years and lower in others.

The long-range cost projections are based on assumptions that are intended to represent close to full employment (average unemployment is assumed at 4½ percent of the labor force). The aggregate amount of earnings taxable in 1973 under the base of \$10,800 is estimated at about \$563 billion. Similarly it is estimated that \$632 billion of earnings will be taxable in 1974 under the scheduled \$13,200 earnings base. The latter amount is projected to increase in the future as the covered population grows and as the average taxable earnings increase due to adjustments in the earnings base as well as to increases in average earnings in covered employment.

The long-range cost estimates presented in this report were prepared for a 75-year period. This longer period of valuation is appropriate because of the projected increase in the aged population. The reason for this is that the number of births in the 1930's was very low as com-

pared with both prior and subsequent experience. As a result, there will be a dip in the relative proportion of the aged to earners from 1995 to about 2015, which would tend to result in low benefit costs for the old-age, survivors, and disability insurance system during that period. For this reason, a period extending beyond the year 2015 would be needed to show the effect in the OASDI costs of a changing aged population.

2. *Measurement of costs in relation to taxable payroll*

In general, long-range costs in this report are shown as a percentage of taxable payroll. This is the best measure of the long-range cost of the program. Dollar figures taken alone could be misleading. It should be recognized that cost projections based on dynamic assumptions involve the use into the distant future of geometric growth in economic factors, which would tend to make the resulting dollar figures difficult to interpret when viewed from today's economic situation.

3. *General basis for short-range cost estimates*

The short-range cost estimates (shown for the individual years 1973-78) assume that employment and earnings will increase each year. A gradual rise in the earnings level in the future (averaging about 6.2 percent per year) is assumed. This is close to the increase that has occurred in the past few years (estimated at about 6.2 percent for the last 3 years and about 6.0 percent for the last 5 years based on annual averages). Covered employment is assumed to increase by about 1.9 million workers per year during the period. The CPI is assumed to increase at an average rate of about 3.3 percent per year from the second quarter in 1974 to the first quarter in 1977. This is somewhat below the level that occurred in the past few years (estimated at about 5.9 percent in fiscal year 1973 and about 4.9 percent for the last 5 years, based on annual averages).

E. Actuarial Cost Estimates for the Hospital Insurance Program

1. *Effect of the bill on the actuarial balance of the hospital insurance program*

The only provisions in the bill that affect the actuarial balance of the hospital insurance program are the change in the earnings base and the modification of the tax schedule as outlined in the preceding sections. These changes would move the program from a small deficit of -0.01 percent of the taxable payroll to exact balance. The tax schedule under the bill as compared with present law is shown in table 8.

TABLE 8.—CONTRIBUTION RATES FOR HOSPITAL INSURANCE UNDER BILL, AS COMPARED WITH THOSE UNDER PRESENT LAW
[In percent]

| Calendar year | Employer, employee, and self-employed rate, each | |
|------------------------|--|------|
| | Present law | Bill |
| 1974 through 1977..... | 1.00 | 0.90 |
| 1978 through 1980..... | 1.25 | 1.10 |
| 1981 through 1985..... | 1.35 | 1.35 |
| 1986 through 1998..... | 1.45 | 1.50 |

2. Short-range estimates of the income and outgo of the hospital insurance program

For the period 1974-78, the income to the HI program would be lower under the bill than under present law. Estimates of the cash income and outgo and of the resulting balances in the hospital insurance trust fund are shown in table 9 for the past as well as for the next 5 calendar years.

TABLE 9.—PROGRESS OF THE SOCIAL SECURITY HOSPITAL INSURANCE TRUST FUND UNDER BILL
[In billions of dollars]

| Calendar year | Net income | Net disbursements | Net increase in fund | Fund at end of period |
|------------------------------|------------|-------------------|----------------------|-----------------------|
| 1968..... | 5.3 | 4.3 | 1.0 | 2.1 |
| 1969..... | 5.3 | 4.9 | .4 | 2.5 |
| 1970..... | 6.0 | 5.3 | .7 | 3.2 |
| 1971..... | 5.7 | 5.9 | -.2 | 3.0 |
| 1972..... | 6.4 | 6.5 | -.1 | 2.9 |
| Estimated future experience: | | | | |
| 1973..... | 11.4 | 8.1 | 3.4 | 6.3 |
| 1974..... | 12.1 | 9.8 | 2.3 | 8.6 |
| 1975..... | 13.1 | 11.5 | 1.5 | 10.1 |
| 1976..... | 14.3 | 13.0 | 1.2 | 11.3 |
| 1977..... | 15.4 | 14.7 | .7 | 12.0 |
| 1978..... | 19.4 | 16.6 | 2.8 | 14.9 |

3. Long-range cost estimates for the hospital insurance program

The adequacy of the contribution rates to support the hospital insurance system is measured by comparison with the "current costs" for the program over a 25-year period. The current cost in any year is essentially the combined employer-employee contribution rate that would be just sufficient to (a) provide the benefit payments and administrative expenses for the year and (b) maintain the trust fund at the level of the following year's disbursements. If the trust fund is not currently equal to the desired level of expected disbursements during the next year, the current-costs must be modified to adjust the growth (or decline) of the trust fund to a path that will lead to the desired level in some future year.

The impact of the bill on the hospital insurance program is the increase in the earnings base in 1974, which results in an increase in taxable payroll for 1974 and all years thereafter, and the modification in the tax schedule as shown in table 8. These changes affect the long-range actuarial balance of the HI program as indicated in table 10.

TABLE 10.—Changes in actuarial balance of hospital insurance system as percent of taxable payroll, by type of change in Public Law 92-603

| Item | Percent |
|--|---------|
| Actuarial balance under present law..... | -0.01 |
| Effect of \$13,200 earnings base..... | +.03 |
| Revised contribution schedule..... | -.02 |
| Total effect of changes in bill..... | +.01 |
| Actuarial balance under bill..... | 0. |

The current costs of the hospital insurance system over the next 25 years under the bill is as shown in table 11.

TABLE 11.—*Estimated current cost¹ of hospital insurance system as percent of taxable payroll,² under the bill, for selected years 1974-95*

| Calendar year: | Current cost |
|---------------------------------|--------------|
| 1974..... | 1.72 |
| 1975..... | 1.81 |
| 1980..... | 2.31 |
| 1985..... | 2.59 |
| 1990..... | 2.92 |
| 1995..... | 3.18 |
| Average cost ³ | 2.61 |

¹ Ratio, to taxable payroll, of (a) benefit payments and administrative expenses for insured beneficiaries, and (b) the amount necessary to maintain the trust fund at the level of the following year's disbursements.

² Taxable payroll is adjusted to take into account the lower contribution rates on self-employment income, on tips, and on multiple employer "excess wages."

³ The "average cost" is the average of the "current costs" for the 25-year period 1973-97, adjusted to build the trust fund to the desired level of the next year's disbursements.

V. COSTS OF CARRYING OUT THE BILL AND VOTE OF THE COMMITTEE IN REPORTING THE BILL

In compliance with clause 7 of rule XIII of the Rules of the House of Representatives, the following statement is made relative to the costs incurred in carrying out this bill.

A complete discussion of the costs of the social security provisions of the bill is contained in section IV of this report, entitled "Actuarial Cost Estimates Under the Bill," which describes the financing of the amended programs and points out that under the financing provisions of the bill the programs would be fully financed. The following table sets forth the estimated additional income and outgo of the social security trust funds under present law resulting from the provisions of H.R. 11333, for fiscal years 1974 through 1979:

ESTIMATED ADDITIONAL INCOME AND ADDITIONAL OUTGO OF THE OASI AND DI TRUST FUNDS COMBINED OVER PRESENT LAW, RESULTING FROM PROVISIONS OF H.R. 11333, FISCAL YEARS 1974-79

[In billions]

| | Additional income | Additional outgo |
|--------------|-------------------|------------------|
| Fiscal year: | | |
| 1974..... | \$0.6 | \$0.9 |
| 1975..... | 1.9 | 1.7 |
| 1976..... | 2.1 | .7 |
| 1977..... | 2.4 | .4 |
| 1978..... | 3.0 | -.9 |
| 1979..... | 3.7 | 1.9 |

ESTIMATED ADDITIONAL INCOME AND ADDITIONAL OUTGO OF THE HI TRUST FUND OVER PRESENT LAW, RESULTING FROM PROVISIONS OF H.R. 11333, FISCAL YEARS 1974-79

[In billions]

| | Additional ¹ income | Additional outgo |
|--------------|--------------------------------|------------------|
| Fiscal year: | | |
| 1974..... | -\$0.6 | 0 |
| 1975..... | -1.2 | 0 |
| 1976..... | -1.4 | 0 |
| 1977..... | -1.6 | 0 |
| 1978..... | -2.2 | 0 |
| 1979..... | -2.8 | 0 |

¹ As explained in sec. IV, the hospital insurance tax is reduced in the early years, but the status of the fund remains actuarially sound. The long-range status of the system is improved

The increases in SSI benefits will amount to \$215 million in the fiscal year ending June 30, 1974, \$250 million in fiscal year 1975, \$250 million in fiscal year 1976, \$250 million in fiscal year 1977, \$250 million in fiscal year 1978, and \$250 million in fiscal year 1979.

The temporary change in the hold-harmless provision affects only the fiscal years 1974 and 1975. It will not appreciably change the amounts already included in the fiscal year 1974 budget, but in its absence a savings of about \$100 million would be realized as compared with the budget figures. The estimated cost for the first 6 months of fiscal year 1975 (July–December 1974) is \$100 million.

Your committee's cost estimates relating to the social security and SSI provisions of the bill, which were furnished to the committee by the Department of Health, Education, and Welfare, constitute the best information available at this time.

In compliance with clause 27(b) of rule XI of the Rules of the House of Representatives, the following statement is made relative to the vote by the committee on the motion to report the bill. The bill was ordered favorably reported by a voice vote.

SECTION-BY-SECTION ANALYSIS OF THE BILL

Section 1. Interim Cost-of-Living Increase in Social Security Benefits

Section 1 of the bill provides an interim increase in monthly benefit amounts and lump-sum death benefits payable under title II and in the amount of the special payments made to certain people age 72 and older who have never worked in covered jobs or who have had less covered work than is needed to qualify for the regular retirement benefits. This increase is accomplished by amending section 201 of Public Law 93-66, which presently provides in effect for a 5.9-percent increase in social security benefits, effective for June 1974.

Increase in benefit amounts

Section 1(a) of the bill amends Public Law 93-66 to provide that the actual amount of monthly benefits and lump-sum death benefits payable (rather than the primary insurance amounts—the amounts on which benefits are based and which were traditionally increased under past general benefit increases and will be increased in the future automatically) will be increased by 7 percent. The increase applies before any offsets or any deductions from benefits because of earnings from work or failure to have a child in care and before the \$255 limit is applied to lump-sum death benefits, but after adjustments to take account of entitlement before age 65, the limit on the total amount of benefits payable to a family, delayed retirement credits, and dual entitlement. (An increase in special minimum benefits is provided in section 1(f) of the bill.)

Period for which interim benefit increase is effective

Section 1(b) amends Public Law 93-66 to provide that the 7-percent interim increase will be effective for monthly benefits for March 1974 through May 1974 and for lump-sum death benefits based on deaths occurring in March, April, or May 1974.

Interim increase not to be handled as automatic increase

Section 1(c) repeals the provision of Public Law 93-66 requiring that benefits be increased in the manner prescribed by section 215(i) of the Social Security Act.

Increase in family benefit rates

Section 1(d) of the bill amends Public Law 93-66 to assure that the 11-percent benefit increase provided by section 2 of the bill will be applied to the family benefit rates in effect prior to the interim 7-percent increase.

Interim increase not to be effective beyond May 1974

Section 1(e) of the bill amends Public Law 93-66 to terminate the interim 7-percent benefit with benefits for June 1974. The interim benefit increase of 5.9 increase under section 201 of Public Law 93-66 (replaced by this bill) would have been effective through December

1974. Section 1(e) also amends Public Law 93-66 so that the benefit increases provided by section 2 of the bill that are subject to reduction for age, or subject to the limit on the total monthly amount payable to a family, will be applied to the benefit rates in effect prior to the interim 7-percent increase.

Special minimum benefits

Section 1(f) of the bill amends section 215(a)(3) of the Social Security Act to increase the special minimum benefits. Under this amendment (effective for months after February 1974) the special minimum benefits will be equal to \$9 for each year of coverage in excess of 10 and up to 30, rather than \$8.50 for each such year of coverage as under present law. The highest monthly special minimum benefit possible will be \$180 under the change, rather than \$170 as under present law.

Section 2. Eleven-Percent Increase in Old-Age, Survivors, and Disability Insurance Benefits, and in Benefits for Certain Individuals Age 72 or Over

Section 2 of the bill provides a general benefit increase of 11 percent, effective for June 1974, with new minimum and maximum benefit amounts. It also increases the amount of the special payments made to certain people age 72 and older who have never worked in covered jobs or who have had less covered work than is needed to qualify for the regular retirement benefits of the program.

Primary insurance amount; column IV of the revised benefit table

Section 2(a) of the bill amends section 215(a) of the Social Security Act to substitute a new table for the present benefit table. The new table effectuates the benefit increase for people who are on the benefit rolls prior to June 1974 and provides benefit amounts higher than those under present law for people who come on the benefit rolls in or after that month. The new primary insurance amounts, shown in column IV of the table, represent an increase of 11 percent over the primary insurance amounts presently provided (under the amendments made by Public Law 92-336) for average monthly earnings up to \$1,000—the highest average monthly earnings possible under Public Law 92-336. In addition, it provides benefits at a 20-percent replacement rate for amounts up to \$1,100. (The primary insurance amount is an amount equal to the monthly benefit payable to a worker who retires at or after age 65 or to a disabled worker who had not previously been entitled to a reduced old-age benefit; it is also the amount on which most benefits are based.)

An approximation of the benefits shown in the new benefit table can be arrived at by taking 119.89 percent of the first \$110 of average monthly earnings, plus 43.61 percent of the next \$290, plus 40.75 percent of the next \$150, plus 47.90 percent of the next \$100, plus 26.64 percent of the next \$250, plus 20 percent of the next \$100. Benefits in the present table as provided by Public Law 92-336 approximate 108.01 percent of the first \$110 of average monthly earnings plus 39.29 percent of the next \$290, plus 36.71 percent of the next \$150, plus 43.15 percent of the next \$100, plus 24 percent of the next \$100, plus 20 percent of the next \$250.

The primary insurance amounts provided by the new table range from a minimum of \$93.80 for people whose average monthly earnings

are \$76 or less to a maximum of \$469 for people who have average monthly earnings of \$1,100. Average monthly earnings as high as \$1,100 will become possible in the future under the \$13,200 contribution and benefit base which the bill (in section 5) provides. The primary insurance amounts of workers getting benefits based on Public Law 92-336 (i.e., workers who will not have the advantage of the increased contribution and benefit base) are raised from \$84.50 to \$93.80 at the minimum and from \$404.50 to \$449.00 at the maximum, payable for June 1974.

The total monthly amounts of benefits payable to families on the basis of a single earnings record, shown in column V of the new table, are 11 percent higher than the amounts shown in column V of the present benefit table. The maximum family benefits are equal to 1½ times the worker's primary insurance amount in the case of primary insurance amounts below \$189.90, and range up to about 1.88 times the worker's primary insurance amount at a primary insurance amount of \$272.40. From a primary insurance amount of \$274.70 to the maximum primary insurance amount of \$469.00 the maximum family benefit is graded down slightly, but not below 1.75 times the worker's primary insurance amount. This formula produces, at the maximum possible average monthly earnings of \$1,100, a maximum family benefit of about three-fourths of the average monthly earnings. Under the bill, the maximum amount of monthly benefits payable to a family will range from \$140.80 to \$820.80.

Increase in special age-72 payments

Section 2(b) of the bill amends section 227 of the act to increase from \$58.00 to \$64.40 the monthly amount payable to transitionally insured workers and widows who qualify for special payments under section 227 on the basis of 3, 4, or 5 quarters of coverage. (To qualify for regular retirement benefits, a worker has to have a minimum of 6 quarters of coverage.) It also raises from \$29.00 to \$32.20 the amount payable to the wives of men who qualify for benefits under that section.

Similarly, section 2(b) of the bill amends section 228 of the act to increase from \$58.00 to \$64.40 the monthly amount payable to people who qualify for monthly payments under section 228 on the basis of no quarters of coverage, or of some quarters of coverage but not enough to qualify for either regular retirement benefits or payments to transitionally insured people, and to increase from \$29.00 to \$32.20 the monthly amount payable to a wife when both husband and wife are entitled to benefits under that section.

Effective date

Section 2(c) of the bill provides that the benefit increases under section 2(a) will be effective for monthly benefits for and after June 1974 and for lump-sum death payments where death occurs in or after that month. The increases in special payments under section 2(b) will be effective with respect to monthly payments for and after June 1974.

Miscellaneous benefit increase provisions

Section 2(d) of the bill amends Public Law 92-336 to provide that the various miscellaneous provisions which are necessary each time a general benefit increase is provided, and which were automated by Public Law 92-336, will become effective for June 1974 in order to operate in conjunction with the 11-percent general benefit increase.

Section 3. Modification of Cost-of-Living Benefit Increase Provisions

Section 3 of the bill changes the automatic adjustment provisions enacted by Public Law 92-336, so that (except in the case of the first adjustment, discussed below) the basic measuring quarter for determining the increase in the consumer price index which is to be reflected in an automatic increase in benefits will be the first calendar quarter of each year rather than the second, and the increases provided will be effective for June of the year in which the determination of the increase is made rather than for the following January. The amount of the increase would still be measured from the later of the last quarter in which a legislated benefit increase became effective and the last quarter which previously triggered an automatic benefit increase. The earliest month for which an automatic benefit increase could be effective would be June 1975; and the increase in the consumer price index will be measured from the second quarter of 1974 through the first quarter of 1975 to determine the amount of such benefit increase. The requirement that the appropriate committees of the Congress be notified by August 15 of the year prior to the January effective date of an automatic benefit increase, with promulgation of a table for computing the new benefits by November 1 prior to that January, is changed so that notification to the Congress must be accomplished within 30 days after the close of the quarter which triggered an increase and the table for computing the new benefits must be promulgated within 45 days of the close of that quarter.

Automatic benefit increase

Section 3(a) of the bill amends section 215(i)(1)(A)(i) of the Social Security Act to provide that base quarters (the quarters used to measure the increase in the consumer price index) are defined as the first quarter in each year after 1974, rather than the second quarter in each year after 1972 as under present law. The quarter in which a legislated increase becomes effective remains a base quarter.

Section 3(b) of the bill amends section 215(i)(1)(B) of the act to provide that no automatic increase in benefits can take place if in the prior year a legislated general benefit increase was enacted or became effective, thereby reflecting the change in the measuring quarter from the second quarter of the year prior to the automatic increase to the first quarter of the year of the increase.

Section 3(c) of the bill amends section 215(i)(2)(A)(i) to require the Secretary to make the automatic determinations each year beginning in 1975, rather than beginning in 1974.

Section 3(d) of the bill amends section 215(i)(2)(A)(ii) of the act to reflect the change in the measuring quarter and effective date of the automatic benefit increases.

Section 3(e) of the bill amends section 215(i)(2)(B) of the act to make the automatic increases effective with June of a particular year, rather than the following January as under present law.

Section 3(f) of the bill amends section 215(i)(2)(C)(ii) of the act to provide that Congress is to be notified within 30 days after the close of the base quarter which triggers an increase—by the end of April of the year in which the increase occurs—rather than by August 15 of the year prior to the year of the increase.

Section 3(g) of the bill amends section 215(i)(2)(D) of the act to provide that a new table of benefits to effectuate an automatic benefit increase must be promulgated within 45 days after the close of the base quarter which triggers an increase—by mid-May of the year in which the increase occurs—rather than by November 1 of the year prior to the year of the increase.

Section 3(h) of the bill amends section 215(i)(2) of the act by striking out subparagraph (E), the provision which under present law detriggers a benefit increase if a legislated benefit increase is enacted or becomes effective in the year in which a determination is made that an automatic increase in benefits is required.

Section 3(i) of the bill provides that the 11-percent increase in benefits effective for June 1974 will be considered to be an automatic benefit increase for purposes of section 203(f)(8) (the automatic retirement test provision), section 230(a) (the automatic contribution and benefit base provision), and section 215(i)(1)(B) (the detriquer mechanism in the automatic benefit increase provision). With this change, it will be possible to have an automatic increase in the retirement test exempt amount, in the contribution and benefit base, and in benefits effective in 1975.

Automatic contribution and benefit base increases

Section 3(j)(1)(A) of the bill amends section 230(a) of the act—the provision governing the automatic adjustment of the contribution and benefit base—to provide that the base can be increased automatically only if, in the prior year, benefits were automatically increased.

Section 3(j)(1)(B) of the bill amends section 230(a) of the act to make conforming changes to those made elsewhere in the automatic provisions for benefits—changes reflecting the fact that the table of benefits will not be promulgated by November 1, and that a legislated increase in benefits enacted or effective in the prior year will not detriquer an automatic increase in benefits.

Section 3(j)(2) of the bill makes a conforming change in section 230(c) of the act to reflect the change in the effective date for automatic benefit increases from January to June.

Automatic retirement test increases

Section 3(k) of the bill makes conforming changes in the retirement test automatic adjustment provisions of the law.

Section 3(k)(1) of the bill amends section 203(f)(8)(A) of the act, dealing with the requirement that the Secretary publish in the Federal Register notification of forthcoming increases in the retirement test exempt amount under section 203(f), in order to delete references to the publication of benefit increases under section 215(i).

Section 3(k)(2) of the bill amends section 203(f)(8)(B) of the act by providing that the House Committee on Ways and Means and the Senate Committee on Finance are to be notified of the estimated amount of a forthcoming increase in the exempt amount, and given related actuarial information, within 30 days after the close of the base quarter (as defined in section 215(i)(1)(A)). Under present law, such notice and related information must be given no later than August 15 of the year in which such base quarter occurs.

Section 3(k)(3) of the bill amends section 203(f)(8)(C) so that enactment of a general benefit increase during a year in which a determination is made that an increase in the exempt amount is

required will not prevent such increase in the exempt amount from going into effect.

Section 4. Supplemental Security Income Benefits

Section 4(a)(1) of the bill amends section 210(c) of Public Law 93-66 to provide that the supplemental security income benefit rates of \$1,680 per year for an eligible individual and \$2,520 per year for an eligible individual who has an eligible spouse are to become effective beginning with January 1974 instead of July 1974.

Section 4(a)(2) of the bill amends section 211(a)(1)(A) of Public Law 93-66 to provide that the \$840 per year supplemental security income benefit amount with respect to essential persons is to become effective beginning with January 1974 instead of July 1974.

Section 4(b)(1) of the bill amends section 1611(a)(1)(A) and section 1611(b)(1) of the Social Security Act (as enacted by section 301 of the Social Security Amendments of 1972 and amended by section 210 of Public Law 93-66) to increase from \$1,680 to \$1,752 per year the supplemental security income benefit rate for an eligible individual, effective for months beginning with July 1974.

Section 4(b)(2) of the bill amends section 1611(a)(2)(A) and section 1611(b)(2) of the act (as so enacted and amended) to increase from \$2,520 to \$2,628 per year the benefit rate for an eligible individual who has an eligible spouse, effective for months beginning with July 1974.

Section 4(b)(3) of the bill amends section 211(a)(1)(A) of Public Law 93-66 (as amended by section 4(a)(2) of the bill) to increase the benefit amount with respect to essential persons from \$840 to \$876 per year effective for months beginning with July 1974.

Section 4(c) of the bill amends section 401(b)(1) of the Social Security Amendments of 1972 to provide that for purposes of the limitation on fiscal liability of States for State supplementation, States may increase their adjusted payment levels for months in the calendar year 1974 by the amounts by which supplemental security income benefit levels are increased by section 210(c) of Public Law 93-66 as amended by section 4(a)(1) of the bill (i.e., by \$10 in the case of an individual and \$15 in the case of a couple).

Section 5. Increase of Earnings Counted for Benefit and Tax Purposes

Section 5 of the bill amends various provisions of the Social Security Act and the Internal Revenue Code of 1954 to increase the amount of annual earnings that is subject to social security contributions and counted toward social security benefits (the contribution and benefit base) from \$12,600 to \$13,200 for 1974 (subject to automatic increases thereafter).

Amendments to title II of the Social Security Act

Definition of wages

Section 5(a)(1) of the bill amends section 209(a)(8) of the Social Security Act (defining "wages" for benefit purposes) to make the \$13,200 contribution and benefit base applicable to wages paid in the calendar year 1974.

Definition of self-employment income

Section 5(a)(2) of the bill amends section 211(b)(1)(H) of the act (defining "self-employment income" for benefit purposes) to make the \$13,200 contribution and benefit base applicable for taxable years beginning after 1973 and before 1975.

Quarter of coverage

Section 5(a)(3) of the bill amends clauses (ii) and (iii) of section 213(a)(2) of the act (defining "quarter of coverage") to provide that an individual will be credited with a quarter of coverage for each quarter of the calendar year 1974 if his wages for such year equal \$13,200 (rather than \$12,600 as in present law). An individual will also be credited with a quarter of coverage for each quarter any part of which falls within a taxable year which begins after 1973 and before 1975 and in which the sum of his wages and self-employment equals \$13,200.

Average monthly wage

Section 5(a)(4) of the bill amends section 215(e)(1) of the act (relating to the amount of annual earnings that can be counted in computing a person's average monthly wage) to increase from \$12,600 to \$13,200, effective for the calendar year 1974, the maximum amount, of annual earnings that may be counted in the computation of a person's average monthly wage for purposes of determining benefit amounts.

Amendments to the Internal Revenue Code of 1954

Definition of self-employment income

Section 5(b)(1) of the bill amends section 1402(b)(1)(H) of the Internal Revenue Code of 1954 (defining "self-employment income" for social security tax purposes) by increasing from \$12,600 to \$13,200 the amount of annual self-employment income which is subject to social security contributions for taxable years beginning after 1973 and before 1975.

Definition of wages

Section 5(b)(2) of the bill amends section 3121(a)(1) of the code (defining "wages" for social security tax purposes) by increasing from \$12,600 to \$13,200 the amount of annual wages subject to contributions, effective for the calendar year 1974.

Federal service

Section 5(b)(3) of the bill amends section 3122 of the code (relating to Federal service) to conform its provisions to the increase in the contribution and benefit base from \$12,600 to \$13,200.

Returns in the case of certain governmental employees

Section 5(b)(4) of the bill amends section 3125 of the code (relating to returns in the case of governmental employees in Guam, American Samoa, and the District of Columbia) to conform its provisions to the increase in the contribution and benefit base from \$12,600 to \$13,200.

Special refunds of employee contributions

Section 5(b)(5) and 5(b)(6) of the bill amend section 6413(c)(2)(A) of the code (relating to special refunds of social security contributions paid by an employee who in any calendar year had more than one employer and had total wages in excess of the maximum which may be counted) to conform the special refund provisions to the \$13,200 contribution and benefit base.

Estimated tax on self-employment income

Section 5(b)(7) of the bill amends section 6654(d)(2)(B)(ii) of the code (relating to failure to pay estimated income tax on adjusted self-employment income) to conform to the increase in the contribution and benefit base from \$12,600 to \$13,200.

Automatic adjustment of the contribution and benefit base

Section 5(c) of the bill amends section 230(c) of the Social Security Act to change the definition of the "contribution and benefit base" from \$12,600 to \$13,200 prior to 1975 or the first time an automatic increase in the amount becomes effective.

Conforming changes for purposes of the automatic provision for increasing the base

Section 5(d) of the bill amends present law by increasing from \$12,600 to \$13,200 the amount of the contribution and benefit base which will be in effect prior to the first automatic base increase.

Effective dates

Section 5(e) provides effective dates for the changes made by the section. The amendments made by section 5 (except subsection (a)(4) thereof) are applicable with respect to remuneration paid after, and taxable years beginning after, 1973; the amendments made by subsection 5(a)(4) (relating to the amount of earnings creditable for social security benefits) will apply with respect to the calendar year 1974.

Technical provision

Section 5(f) of the bill provides that the amendments made by the section to the Social Security Act, the Internal Revenue Code of 1954, and Public Law 92-336 are deemed to be made to those provisions as they were amended by section 203 of Public Law 93-66.

Section 6. Changes in Tax Schedules

Section 6 of the bill provides new schedules of social security tax rates for old-age, survivors, and disability insurance and for hospital insurance.

Old-age, survivors, and disability insurance rates

Section 6(a) of the bill amends sections 3101(a) and 3111(a) of the Internal Revenue Code of 1954 to provide new schedules of old-age, survivors, and disability insurance tax rates for both employees and employers. Under present law, these tax rates for the years involved are as follows:

| Calendar years: | Percent |
|------------------------|---------|
| 1974 through 1977..... | 4.85 |
| 1978 through 2010..... | 4.80 |
| 2011 and after..... | 5.85 |

Under the bill, the corresponding tax rates are as follows:

| Calendar years: | Percent |
|------------------------|---------|
| 1974 through 2010..... | 4.95 |
| 2011 and after..... | 5.95 |

Hospital insurance rates

Section 6(b) of the bill amends sections 1401(b), 3101(b), and 3111(b) of the code to provide new schedules of hospital insurance tax rates for the self-employed as well as for both employees and

employers. Under present law, these tax rates for the years involved (for purposes of the tax on self-employment income as well as the taxes on wages) are as follows:

| Calendar years (for purposes of wages) and taxable years beginning in (for purposes of self-employment income): | Percent |
|---|---------|
| 1974 through 1977..... | 1. 00 |
| 1978 through 1980..... | 1. 25 |
| 1981 through 1985..... | 1. 35 |
| 1986 and after..... | 1. 45 |

Under the bill, the corresponding tax rates are as follows:

| Calendar years (for purposes of wages) and taxable years beginning in (for purposes of self-employment income): | Percent |
|---|---------|
| 1974 through 1977..... | 0. 90 |
| 1978 through 1980..... | 1. 10 |
| 1981 through 1985..... | 1. 35 |
| 1986 and after..... | 1. 50 |

Effective dates

Section 6(c) of the bill provides that the amendment made by section 6(b)(1) is to apply with respect to taxable years which begin after December 31, 1973, and that the remaining amendments made by section 6 are to apply with respect to remuneration paid after December 31, 1973.

Section 7. Allocation to Disability Insurance Trust Fund

Section 7(a) of the bill amends section 201(b)(1) of the Social Security Act, which deals with the amount to be allocated and appropriated to the Federal disability insurance trust fund each year with respect to wages and now provides that such amount is to be 1.10 percent of the wages paid during 1974-77, 1.15 percent of the wages paid during 1978-2010, and 1.50 percent of the wages paid after 2010. Under the amended section 201(b)(1), the amount so allocated and appropriated will be 1.15 percent of the wages paid during 1974-77, 1.20 percent of the wages paid during 1978-80, 1.30 percent of the wages paid during 1981-85, 1.40 percent of the wages paid during 1986-2010, and 1.70 percent of the wages paid after 2010.

Section 7(b) of the bill amends section 201(b)(2) of the act, which deals with the amount to be allocated and appropriated to the Federal disability insurance trust fund each year with respect to self-employment income and now provides that such amount is to be 0.795 percent of the self-employment income so reported for any taxable year beginning after 1973 and before 1978, 0.840 percent of the self-employment income so reported for any taxable year beginning after 1977 and before 2011, and 0.895 percent of the self-employment income so reported for any taxable year beginning after 2010. Under the amended section 201(b)(2), the amount so allocated and appropriated will be 0.815 percent of the self-employment income so reported for any taxable year beginning after 1973 and before 1978, 0.850 percent of the self-employment income so reported for any taxable year beginning after 1977 and before 1981, 0.920 percent of the self-employment income so reported for any taxable year beginning after 1980 and before 1986, 0.990 percent of the self-employment income so reported for any taxable year beginning after 1985 and before 2011, and 1.000 percent of the self-employment income so reported for any taxable year beginning after 2010.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SOCIAL SECURITY ACT

* * * * *

FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND FEDERAL DISABILITY INSURANCE TRUST FUND

Section 201. (a) * * *

* * * * *

(b) There is hereby created on the books of the Treasury of the United States a trust fund to be known as the "Federal Disability Insurance Trust Fund". The Federal Disability Insurance Trust Fund shall consist of such gifts and bequests as may be made as provided in subsection (i)(1), and of such amounts as may be appropriated to, or deposited in, such fund as provided in this section. There is hereby appropriated to the Federal Disability Insurance Trust Fund for the fiscal year ending June 30, 1957, and for each fiscal year thereafter, out of any moneys in the Treasury not otherwise appropriated, amounts equivalent to 100 per centum of—

(1)(A) $\frac{1}{2}$ of 1 per centum of the wages (as defined in section 3121 of the Internal Revenue Code of 1954) paid after December 31, 1956, and before January 1, 1966, and reported to the Secretary of the Treasury or his delegate pursuant to subtitle F of the Internal Revenue Code of 1954, (B) 0.70 of 1 per centum of the wages (as so defined) paid after December 31, 1965, and before January 1, 1968, and so reported, and (C) 0.95 of 1 per centum of the wages (as so defined) paid after December 31, 1967, and before January 1, 1970, and so reported, (D) 1.10 per centum of the wages (as so defined) paid after December 31, 1969, and before January 1, 1973, and so reported, [(E) 1.1 per centum of the wages (as so defined) paid after December 31, 1972, and before January 1, 1978, and so reported, (F) 1.15 per centum of the wages (as so defined) paid after December 31, 1977, and before January 1, 2011, and so reported, and (G) 1.5 per centum of the wages (as so defined) paid after December 31, 2010, and so reported, which wages] (E) *1.1 per centum of the wages (as so defined) paid after December 31, 1972, and before January 1, 1974, and so reported, (F) 1.15 per centum of the wages (as so defined) paid after December 31, 1973, and before January 1, 1978, and so reported, (G) 1.2 per centum of the wages (as so defined) paid after*

December 31, 1977, and before January 1, 1981, and so reported, (H) 1.3 per centum of the wages (as so defined) paid after December 31, 1980, and before January 1, 1986, and so reported (I) 1.4 per centum of the wages (as so defined) paid after December 31, 1985, and before January 1, 2011, and so reported, and (J) 1.7 per centum of the wages (as so defined) paid after December 31, 2010, and so reported, which wages shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of wages established and maintained by such Secretary in accordance with such reports; and

(2)(A) $\frac{3}{8}$ of 1 per centum of the amount of self-employment income (as defined in section 1402 of the Internal Revenue Code of 1954) reported to the Secretary of the Treasury or his delegate on tax returns under subtitle F of the Internal Revenue Code of 1954 for any taxable year beginning after December 31, 1956, and before January 1, 1966, (B) and 0.525 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1965, and before January 1, 1968, and (C) 0.7125 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1967, and before January 1, 1970, (D) 0.825 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1969, and before January 1, 1973, (E) 0.795 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1972, and before January 1, 1978, (F) 0.84 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1977, and before January 1, 2011, and (G) 0.895 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 2010, which self-employment income (E) 0.795 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1972, and before January 1, 1974, (F) 0.815 of 1 per centum of the amount of self-employment income (as so defined) as reported for any taxable year beginning after December 31, 1973, and before January 1, 1978, (G) 0.850 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1977, and before January 1, 1981, (H) 0.920 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1980, and before January 1, 1986, (I) 0.990 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1985, and before January 1, 2011, and (J) 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 2010, which self-employment income shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of self-employment income established and maintained by the Secretary of Health, Education, and Welfare in accordance with such returns.

* * * * *

REDUCTION OF INSURANCE BENEFITS

MAXIMUM BENEFITS

Sec. 203. (a) * * *

* * * * *

MONTHS TO WHICH EARNINGS ARE CHARGED

(f) For purposes of subsection (b)—

(1) * * *

* * * * *

(8)(A) Whenever the Secretary pursuant to section 215(i) increases benefits effective with the [first] month of [the calendar year] June following a cost-of-living computation quarter [], he shall also determine and publish in the Federal Register on or before November 1 of the calendar year in which such quarter occurs [along with the publication of such benefit increase as required by section 215(i)(2)(D))] a new exempt amount which shall be effective (unless such new exempt amount is prevented from becoming effective by subparagraph (C) of this paragraph) with respect to any individual's taxable year which ends [with the close of or] after the calendar year [with the first month of] in which such benefit increase is effective (or, in the case of an individual who dies during [such] the calendar [year,] year after the calendar year in which the benefit increase is effective, with respect to such individual's taxable year which ends, upon his death, during such year).

(B) The exempt amount for each month of a particular taxable year shall be whichever of the following is the larger—

(i) the exempt amount which was in effect with respect to months in the taxable year in which the determination under subparagraph (A) was made, or

(ii) the product of the exempt amount described in clause (i) and the ratio of (I) the average of the taxable wages of all employees as reported to the Secretary for the first calendar quarter of the calendar year in which the determination under subparagraph (A) was made to (II) the average of the taxable wages of all employees as reported to the Secretary for the first calendar quarter of 1973, or, if later, the first calendar quarter of the most recent calendar year in which an increase in the contribution and benefit base was enacted or a determination resulting in such an increase was made under section 230(a), with such product, if not a multiple of \$10, being rounded to the next higher multiple of \$10 where such product is a multiple of \$5 but not of \$10 and to the nearest multiple of \$10 in any other case.

Whenever the Secretary determines that the exempt amount is to be increased in any year under this paragraph, he shall notify the House Committee on Ways and Means and the Senate Committee on Finance [no later than August 15 of such year] within 30 days after the close of the base quarter (as defined in section 215(i)(1)(A)) in such year of the estimated amount of such increase, indicating the new exempt amount, the actuarial estimates of the effect of the increase, and the actuarial assumptions and methodology used in preparing such estimates.

(C) Notwithstanding the determination of a new exempt amount by the Secretary under subparagraph (A) (and notwithstanding any publication thereof under such subparagraph or any notification thereof under the last sentence of subparagraph (B)), such new exempt amount shall not take effect pursuant thereto if during the calendar year in which such determination is made a law increasing the exempt amount [or providing a general benefit increase under this title (as defined in section 215(i)(3))] is enacted.

* * * * *

DEFINITION OF WAGES

Sec. 209. For the purposes of this title, the term "wages" means remuneration paid prior to 1951 which was wages for the purposes of this title under the law applicable to the payment of such remuneration, and remuneration paid after 1950 for employment, including the cash value of all remuneration paid in any medium other than cash; except that, in the case of remuneration paid after 1950, such term shall not include—

(a)(1) * * *

* * * * *

(8) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to [\$12,600] \$13,200 with respect to employment has been paid to an individual during any calendar year after 1973 and prior to 1975, is paid to such individual during such calendar year;

* * * * *

SELF-EMPLOYMENT

Sec. 211. For the purposes of this title—

NET EARNINGS FROM SELF-EMPLOYMENT

(a) * * *

SELF-EMPLOYMENT INCOME

(b) The term "self-employment income" means the net earnings from self-employment derived by an individual (other than a non-resident alien individual) during any taxable year beginning after 1950; except that such term shall not include—

(1) That part of the net earnings from self-employment which is in excess of—

(A) * * *

* * * * *

(H) For any taxable year beginning after 1973 and prior to 1975, (i) [\$12,600] \$13,200, minus (ii) the amount of the wages paid to such individual during the taxable year; and

* * * * *

QUARTER AND QUARTER OF COVERAGE

DEFINITIONS

Sec. 213. (a) For the purposes of this title—

(1) The term “quarter”, and the term “calendar quarter”, means a period of three calendar months ending on March 31, June 30, September 30, or December 31.

(2) The term “quarter of coverage” means a quarter in which the individual has been paid \$50 or more in wages (except wages for agricultural labor paid after 1954) or for which he has been credited (as determined under section 212) with \$100 or more of self-employment income, except that—

(i) no quarter after the quarter in which such individual died shall be a quarter of coverage, and no quarter any part of which was included in a period of disability (other than the initial quarter and the last quarter of such period) shall be a quarter of coverage;

(ii) if the wages paid to any individual in any calendar year equal to \$3,000 in the case of a calendar year before 1951, or \$3,600 in the case of a calendar year after 1950 and before 1955, or \$4,200 in the case of a calendar year after 1954 and before 1959, or \$4,800 in the case of a calendar year after 1958 and before 1966, or \$6,600 in the case of a calendar year after 1965 and before 1968, or \$7,800 in the case of a calendar year after 1967 and before 1972, or \$9,000 in the case of a calendar year after 1971 and before 1973, or \$10,800 in the case of a calendar year after 1972 and before 1974, or ~~[\$12,600]~~ \$13,200 in the case of a calendar year after 1973 and before 1975, or an amount equal to the contribution and benefit base (as determined under section 230) in the case of any calendar year after 1974 with respect to which such contribution and benefit base is effective, each quarter of such year shall (subject to clause (i)) be a quarter of coverage;

(iii) if an individual has self-employment income for a taxable year, and if the sum of such income and the wages paid to him during such year equals \$3,600 in the case of a taxable year beginning after 1950 and ending before 1955, or \$4,200 in the case of a taxable year ending after 1954 and before 1959, or \$4,800 in the case of a taxable year ending after 1958 and before 1966, or \$6,600 in the case of a taxable year after 1965 and before 1968, or \$7,800 in the case of a taxable year ending after 1967, or \$9,000 in the case of a taxable year beginning after 1971 and before 1973, or \$10,800 in the case of a taxable year beginning after 1972 and before 1974, or ~~[\$12,600]~~ \$13,200 in the case of a taxable year beginning after 1973 and before 1975, or an amount equal to the contribution and benefit base (as determined under section 230) which is effective for the calendar year in the case of any taxable year beginning in any calendar year after 1974, each quarter any part of which falls in such year shall (subject to clause (i)) be a quarter of coverage;

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Computation of Primary Insurance Amount

Sec. 215. For the purposes of this title—

(a) The primary insurance amount of an insured individual shall be determined as follows:

(1) * * *

(3) Such primary insurance amount shall be an amount equal to **[\$8.50]** \$9.00 multiplied by the individual's years of coverage in excess of 10 in any case in which such amount is higher than the individual's primary insurance amount as determined under paragraph (1) or (2).

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

| I (Primary insurance benefit under 1939 Act, as modified) | | II (Primary insurance amount under 1971 Act) | | III (Average monthly wage) | | IV (Primary insurance amount) | V (Maximum family benefits) |
|--|--------------------|---|-------|---|--------------------|---|--|
| If an individual's primary insurance benefit (as determined under subsec. (d)) is— | | Or his primary insurance amount (as determined under subsec. (c)) is— | | Or his average monthly wage (as determined under subsec. (b)) is— | | The amount referred to in the preceding paragraphs of this subsection shall be— | And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be— |
| At least— | But not more than— | | | At least— | But not more than— | | |
| ----- | \$16.20 | \$70.40 | ----- | \$76 | | \$84.50 | \$126.80 |
| \$16.21 | 16.84 | 71.50 | \$77 | 78 | | 85.80 | 128.80 |
| 16.85 | 17.60 | 73.10 | 79 | 80 | | 87.80 | 131.70 |
| 17.61 | 18.40 | 74.50 | 81 | 81 | | 89.40 | 134.20 |
| 18.41 | 19.24 | 75.80 | 82 | 82 | | 91.00 | 136.50 |
| 19.25 | 20.00 | 77.40 | 84 | 85 | | 92.90 | 139.40 |
| 20.01 | 20.64 | 78.80 | 86 | 87 | | 94.60 | 141.90 |
| 20.65 | 21.28 | 80.10 | 88 | 89 | | 96.20 | 144.30 |
| 21.29 | 21.88 | 81.70 | 90 | 90 | | 98.10 | 147.20 |
| 21.89 | 22.28 | 83.10 | 91 | 92 | | 99.80 | 149.70 |
| 22.29 | 22.68 | 84.50 | 93 | 94 | | 101.40 | 152.20 |
| 22.69 | 23.08 | 85.80 | 95 | 96 | | 103.00 | 154.50 |
| 23.09 | 23.44 | 87.40 | 97 | 97 | | 104.90 | 157.40 |
| 23.45 | 23.76 | 88.90 | 98 | 99 | | 106.70 | 160.10 |
| 23.77 | 24.20 | 90.60 | 100 | 101 | | 108.80 | 163.20 |
| 24.21 | 24.60 | 91.90 | 102 | 102 | | 110.30 | 165.50 |
| 24.61 | 25.00 | 93.40 | 103 | 104 | | 112.10 | 168.20 |
| 25.01 | 25.43 | 95.10 | 105 | 106 | | 114.20 | 171.30 |
| 25.49 | 25.92 | 96.60 | 107 | 107 | | 116.00 | 173.90 |
| 25.93 | 26.40 | 98.20 | 108 | 109 | | 117.90 | 176.90 |
| 26.41 | 26.94 | 99.70 | 110 | 113 | | 119.70 | 179.60 |
| 26.95 | 27.46 | 101.10 | 114 | 118 | | 121.40 | 182.10 |
| 27.47 | 28.00 | 102.70 | 119 | 122 | | 123.30 | 185.00 |
| 28.01 | 28.68 | 104.20 | 123 | 127 | | 125.10 | 187.70 |
| 28.69 | 29.25 | 105.90 | 128 | 132 | | 127.10 | 190.70 |
| 29.26 | 29.68 | 107.30 | 133 | 136 | | 128.80 | 193.20 |
| 29.69 | 30.36 | 108.70 | 137 | 141 | | 130.50 | 195.80 |
| 30.37 | 30.92 | 110.40 | 142 | 146 | | 132.50 | 198.80 |
| 30.93 | 31.36 | 111.90 | 147 | 150 | | 134.30 | 201.50 |
| 31.37 | 32.00 | 113.30 | 151 | 155 | | 136.00 | 204.00 |
| 32.01 | 32.60 | 115.00 | 156 | 160 | | 138.00 | 207.00 |
| 32.61 | 33.20 | 116.40 | 161 | 164 | | 139.70 | 209.60 |
| 32.21 | 33.88 | 118.00 | 165 | 169 | | 141.60 | 212.40 |
| 33.89 | 34.50 | 119.50 | 170 | 174 | | 143.40 | 215.20 |
| 34.51 | 35.00 | 121.00 | 175 | 179 | | 145.20 | 217.80 |

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

| I | | II | III | | IV | V |
|--|--------------------|---|---|--------------------|---|--|
| (Primary insurance benefit under 1939 Act, as modified) | | (Primary insurance amount under 1971 Act) | (Average monthly wage) | | (Primary insurance amount) | (Maximum family benefits) |
| If an individual's primary insurance benefit (as determined under subsec. (d)) is— | | Or his primary insurance amount (as determined under subsec. (c)) is— | Or his average monthly wage (as determined under subsec. (b)) is— | | The amount referred to in the preceding paragraphs of this subsection shall be— | And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be— |
| At least— | But not more than— | | At least— | But not more than— | | |
| \$35.01 | \$35.80 | \$122.60 | \$179 | \$183 | \$147.20 | \$220.80 |
| 35.81 | 36.40 | 124.00 | 184 | 188 | 148.80 | 223.20 |
| 36.41 | 37.08 | 125.70 | 189 | 193 | 150.60 | 226.40 |
| 37.09 | 37.60 | 127.20 | 194 | 197 | 152.70 | 229.10 |
| 37.61 | 38.20 | 128.60 | 198 | 202 | 154.40 | 231.60 |
| 38.21 | 39.12 | 130.30 | 203 | 207 | 156.40 | 234.60 |
| 39.13 | 39.68 | 131.80 | 208 | 211 | 158.20 | 237.30 |
| 39.69 | 40.33 | 133.10 | 212 | 216 | 159.80 | 239.70 |
| 40.34 | 41.12 | 134.80 | 217 | 221 | 161.80 | 242.70 |
| 41.13 | 41.76 | 136.30 | 222 | 225 | 163.60 | 245.40 |
| 41.77 | 42.44 | 137.90 | 226 | 230 | 165.50 | 248.30 |
| 42.45 | 43.20 | 139.40 | 231 | 235 | 167.30 | 251.00 |
| 43.21 | 43.76 | 141.10 | 236 | 239 | 169.40 | 254.10 |
| 43.77 | 44.44 | 142.50 | 240 | 244 | 171.00 | 257.80 |
| 44.45 | 44.88 | 143.90 | 245 | 249 | 172.70 | 263.10 |
| 44.89 | 45.60 | 145.60 | 250 | 253 | 174.80 | 267.30 |
| | | 147.10 | 254 | 258 | 176.60 | 272.60 |
| | | 148.40 | 259 | 263 | 178.10 | 277.80 |
| | | 150.10 | 264 | 267 | 180.20 | 282.00 |
| | | 151.60 | 268 | 272 | 182.00 | 287.30 |
| | | 153.20 | 273 | 277 | 183.90 | 292.60 |
| | | 154.70 | 278 | 281 | 185.70 | 296.80 |
| | | 156.20 | 282 | 286 | 187.50 | 302.10 |
| | | 157.90 | 287 | 291 | 189.50 | 307.40 |
| | | 159.20 | 292 | 295 | 191.10 | 311.60 |
| | | 160.90 | 296 | 300 | 193.10 | 316.86 |
| | | 162.40 | 301 | 305 | 194.90 | 322.16 |
| | | 163.80 | 306 | 309 | 196.60 | 326.40 |
| | | 165.50 | 310 | 314 | 198.60 | 331.70 |
| | | 166.90 | 315 | 319 | 200.30 | 337.00 |
| | | 168.30 | 320 | 323 | 202.00 | 341.20 |
| | | 170.00 | 324 | 328 | 204.60 | 346.50 |
| | | 171.50 | 329 | 333 | 205.80 | 351.80 |
| | | 173.20 | 334 | 337 | 207.90 | 356.00 |
| | | 174.50 | 338 | 342 | 209.40 | 361.20 |
| | | 176.00 | 343 | 347 | 211.20 | 366.50 |
| | | 177.70 | 348 | 351 | 213.30 | 370.70 |
| | | 179.10 | 352 | 356 | 215.00 | 376.00 |
| | | 180.80 | 357 | 361 | 218.70 | 385.50 |
| | | 182.20 | 362 | 365 | 217.00 | 381.30 |
| | | 183.60 | 366 | 370 | 220.40 | 390.70 |
| | | 185.30 | 371 | 375 | 222.40 | 396.00 |
| | | 186.80 | 376 | 379 | 224.20 | 400.46 |
| | | 188.50 | 380 | 384 | 226.26 | 405.60 |
| | | 189.80 | 385 | 389 | 227.80 | 410.99 |
| | | 191.50 | 390 | 393 | 229.60 | 415.10 |
| | | 193.00 | 394 | 398 | 231.60 | 420.40 |
| | | 194.40 | 399 | 403 | 233.30 | 425.70 |
| | | 196.10 | 404 | 407 | 235.40 | 429.90 |
| | | 197.40 | 408 | 412 | 236.90 | 435.20 |
| | | 198.80 | 413 | 417 | 238.60 | 440.40 |
| | | 200.20 | 418 | 421 | 240.50 | 444.70 |
| | | 201.80 | 422 | 426 | 242.20 | 439.90 |
| | | 203.10 | 427 | 431 | 243.80 | 455.20 |
| | | 204.50 | 432 | 436 | 245.40 | 460.50 |
| | | 206.10 | 437 | 440 | 247.40 | 462.60 |
| | | 207.40 | 441 | 445 | 248.90 | 465.30 |
| | | 208.80 | 446 | 450 | 250.60 | 467.90 |
| | | 210.40 | 451 | 454 | 252.50 | 470.00 |
| | | 211.70 | 455 | 459 | 254.10 | 472.60 |
| | | 213.10 | 460 | 464 | 255.80 | 475.20 |
| | | 214.50 | 465 | 468 | 257.40 | 477.40 |
| | | 216.10 | 469 | 473 | 259.40 | 480.00 |
| | | 217.40 | 474 | 478 | 260.90 | 482.70 |

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

| I (Primary insurance benefit under 1939 Act, as modified) | | II (Primary insurance amount under 1971 Act) | III (Average monthly wage) | | IV (Primary insurance amount) | V (Maximum family benefits) |
|--|--------------------|---|---|--------------------|---|--|
| If an individual's primary insurance benefit (as determined under subsec. (d)) is— | | Or his primary insurance amount (as determined under subsec. (c)) is— | Or his average monthly wage (as determined under subsec. (b)) is— | | The amount referred to in the preceding paragraphs of this subsection shall be— | And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be— |
| At least— | But not more than— | | At least— | But not more than— | | |
| | | \$218.80 | \$479 | \$482 | \$262.60 | \$484.80 |
| | | 220.40 | 483 | 487 | 264.50 | 487.50 |
| | | 221.70 | 488 | 492 | 266.10 | 490.10 |
| | | 223.10 | 493 | 496 | 267.80 | 492.20 |
| | | 224.70 | 497 | 501 | 269.70 | 494.80 |
| | | 226.00 | 502 | 506 | 271.20 | 497.40 |
| | | 227.40 | 507 | 510 | 272.90 | 499.60 |
| | | 228.80 | 511 | 515 | 274.60 | 502.20 |
| | | 230.30 | 516 | 520 | 276.40 | 504.90 |
| | | 231.70 | 521 | 524 | 278.10 | 506.90 |
| | | 233.10 | 525 | 529 | 279.80 | 509.60 |
| | | 234.70 | 530 | 534 | 281.70 | 512.20 |
| | | 236.00 | 535 | 538 | 283.20 | 514.40 |
| | | 237.40 | 539 | 543 | 284.90 | 517.00 |
| | | 239.00 | 544 | 548 | 286.80 | 519.60 |
| | | 240.30 | 549 | 553 | 288.40 | 522.30 |
| | | 241.70 | 554 | 556 | 290.10 | 523.80 |
| | | 242.90 | 557 | 560 | 291.50 | 526.00 |
| | | 244.20 | 561 | 563 | 293.10 | 527.60 |
| | | 245.50 | 564 | 567 | 294.60 | 529.70 |
| | | 246.80 | 568 | 570 | 296.20 | 531.30 |
| | | 248.00 | 571 | 574 | 297.60 | 533.30 |
| | | 249.30 | 575 | 577 | 299.20 | 535.00 |
| | | 250.50 | 578 | 581 | 300.60 | 537.00 |
| | | 251.80 | 582 | 584 | 302.20 | 538.60 |
| | | 253.00 | 585 | 588 | 303.60 | 540.80 |
| | | 254.40 | 589 | 591 | 305.30 | 542.30 |
| | | 255.60 | 592 | 595 | 306.80 | 544.50 |
| | | 256.90 | 596 | 598 | 308.30 | 546.00 |
| | | 258.10 | 599 | 602 | 309.80 | 548.20 |
| | | 259.40 | 603 | 605 | 311.30 | 549.80 |
| | | 260.60 | 606 | 609 | 312.80 | 551.80 |
| | | 262.00 | 610 | 612 | 314.40 | 553.50 |
| | | 263.20 | 613 | 616 | 315.90 | 555.50 |
| | | 264.50 | 617 | 620 | 317.40 | 557.70 |
| | | 265.70 | 621 | 623 | 318.90 | 559.20 |
| | | 267.00 | 624 | 627 | 320.40 | 561.40 |
| | | 268.20 | 628 | 630 | 321.90 | 563.30 |
| | | 269.50 | 631 | 634 | 323.40 | 566.10 |
| | | 270.80 | 635 | 637 | 325.00 | 568.70 |
| | | 272.10 | 638 | 641 | 326.60 | 571.50 |
| | | 273.30 | 642 | 644 | 328.00 | 574.00 |
| | | 274.60 | 645 | 648 | 329.60 | 576.80 |
| | | 275.80 | 649 | 652 | 331.00 | 579.30 |
| | | 276.60 | 653 | 656 | 332.00 | 581.00 |
| | | 277.40 | 657 | 660 | 332.90 | 582.60 |
| | | 278.40 | 661 | 665 | 334.10 | 584.70 |
| | | 279.40 | 666 | 670 | 335.30 | 586.80 |
| | | 280.40 | 671 | 675 | 336.50 | 588.90 |
| | | 281.40 | 676 | 680 | 337.70 | 591.00 |
| | | 282.40 | 681 | 685 | 338.90 | 593.10 |
| | | 283.40 | 686 | 690 | 340.10 | 595.20 |
| | | 284.40 | 691 | 695 | 341.30 | 597.30 |
| | | 285.40 | 696 | 700 | 342.50 | 599.40 |
| | | 286.40 | 701 | 705 | 343.70 | 601.50 |
| | | 287.40 | 706 | 710 | 344.90 | 603.60 |
| | | 288.40 | 711 | 715 | 346.10 | 605.70 |
| | | 289.40 | 716 | 720 | 347.30 | 607.80 |
| | | 290.40 | 721 | 725 | 348.50 | 609.90 |
| | | 291.40 | 726 | 730 | 349.70 | 612.00 |
| | | 292.40 | 731 | 735 | 350.90 | 614.10 |
| | | 293.40 | 736 | 740 | 352.10 | 616.20 |
| | | 294.40 | 741 | 745 | 353.40 | 618.30 |
| | | 295.40 | 746 | 750 | 394.50 | 620.40 |

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

| I | | II | III | | IV | V |
|--|--------------------|---|---|--------------------|---|--|
| (Primary insurance benefit under 1939 Act, as modified) | | (Primary insurance amount under 1971 Act) | (Average monthly wage) | | (Primary insurance amount) | (Maximum family benefits) |
| If an individual's primary insurance benefit (as determined under subsec. (d)) is— | | Or his primary insurance amount (as determined under subsec. (c)) is— | Or his average monthly wage (as determined under subsec. (b)) is— | | The amount referred to in the preceding paragraphs of this subsection shall be— | And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be— |
| | | | | | | |
| At least— | But not more than— | | At least— | But not more than— | | |
| | | | \$751 | \$755 | \$355.50 | \$622.20 |
| | | | 756 | 760 | 356.50 | 623.90 |
| | | | 761 | 765 | 357.50 | 625.70 |
| | | | 766 | 770 | 358.50 | 627.40 |
| | | | 771 | 775 | 359.50 | 629.20 |
| | | | 776 | 780 | 360.50 | 630.90 |
| | | | 781 | 785 | 361.50 | 632.70 |
| | | | 786 | 790 | 362.50 | 634.40 |
| | | | 791 | 795 | 363.50 | 636.20 |
| | | | 796 | 800 | 364.50 | 637.90 |
| | | | 801 | 805 | 365.50 | 639.70 |
| | | | 806 | 810 | 366.50 | 641.40 |
| | | | 811 | 815 | 367.50 | 643.20 |
| | | | 816 | 820 | 368.50 | 644.90 |
| | | | 821 | 825 | 369.50 | 646.70 |
| | | | 826 | 830 | 370.50 | 648.40 |
| | | | 831 | 835 | 371.50 | 650.20 |
| | | | 836 | 840 | 372.50 | 651.90 |
| | | | 841 | 845 | 373.50 | 653.70 |
| | | | 846 | 850 | 374.50 | 655.40 |
| | | | 851 | 855 | 375.50 | 657.20 |
| | | | 856 | 860 | 376.50 | 658.90 |
| | | | 861 | 865 | 377.50 | 660.70 |
| | | | 866 | 870 | 378.50 | 662.40 |
| | | | 871 | 875 | 379.50 | 664.20 |
| | | | 876 | 880 | 380.50 | 665.90 |
| | | | 881 | 885 | 381.50 | 667.70 |
| | | | 886 | 890 | 382.50 | 669.40 |
| | | | 891 | 895 | 383.50 | 671.20 |
| | | | 896 | 900 | 384.50 | 672.90 |
| | | | 901 | 905 | 385.50 | 674.70 |
| | | | 906 | 910 | 386.50 | 676.40 |
| | | | 911 | 915 | 387.50 | 678.20 |
| | | | 916 | 920 | 388.50 | 679.90 |
| | | | 921 | 925 | 389.50 | 681.70 |
| | | | 926 | 930 | 390.50 | 683.40 |
| | | | 931 | 935 | 391.50 | 685.20 |
| | | | 936 | 940 | 392.50 | 686.90 |
| | | | 941 | 945 | 393.50 | 688.70 |
| | | | 946 | 950 | 394.50 | 690.40 |
| | | | 951 | 955 | 395.50 | 692.20 |
| | | | 956 | 960 | 396.50 | 693.90 |
| | | | 961 | 965 | 397.50 | 695.70 |
| | | | 966 | 970 | 398.50 | 697.40 |
| | | | 971 | 975 | 399.50 | 699.20 |
| | | | 976 | 980 | 400.50 | 700.90 |
| | | | 981 | 985 | 401.50 | 702.70 |
| | | | 986 | 990 | 402.50 | 704.40 |
| | | | 991 | 995 | 403.50 | 706.20 |
| | | | 996 | 1,000 | 404.50 | 707.90 |

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND
MAXIMUM FAMILY BENEFITS

| I (Primary insurance benefit under 1939 Act, as modified) | | II (Primary insurance amount effective for September 1972) | III (Average monthly wage) | | IV (Primary insurance amount) | V (Maximum family benefits) |
|--|--------------------|--|---|--------------------|---|--|
| If an individual's primary insurance benefit (as determined under subsec. (d)) is— | | Or his primary insurance amount (as determined under subsec. (c)) is— | Or his average monthly wage (as determined under subsec. (b)) is— | | The amount referred to in the preceding paragraphs of this subsection shall be— | And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be— |
| At least— | But not more than— | | At least— | But not more than— | | |
| ----- | \$16.20 | \$84.50 | ----- | \$76 | \$93.80 | \$140.80 |
| \$16.21 | 16.84 | 85.80 | \$77 | 78 | 95.30 | 143.00 |
| 16.85 | 17.60 | 87.80 | | 80 | 97.50 | 146.30 |
| 17.61 | 18.40 | 89.40 | 81 | 81 | 99.30 | 149.00 |
| 18.41 | 19.24 | 91.00 | 82 | 83 | 101.10 | 151.70 |
| 19.25 | 20.00 | 92.90 | 84 | 85 | 103.20 | 154.80 |
| 20.01 | 20.64 | 94.60 | 86 | 87 | 105.10 | 157.70 |
| 20.65 | 21.28 | 96.20 | 88 | 89 | 106.80 | 160.20 |
| 21.29 | 21.88 | 98.10 | 90 | 90 | 108.90 | 163.40 |
| 21.89 | 22.28 | 99.80 | 91 | 92 | 110.80 | 166.20 |
| 22.29 | 22.68 | 101.40 | 93 | 94 | 112.60 | 169.00 |
| 22.69 | 23.08 | 103.00 | 95 | 96 | 114.40 | 171.60 |
| 23.09 | 23.44 | 104.90 | 97 | 97 | 116.50 | 174.80 |
| 23.45 | 23.76 | 106.70 | 98 | 99 | 118.50 | 177.80 |
| 23.77 | 24.20 | 108.80 | 100 | 101 | 120.80 | 181.20 |
| 24.21 | 24.60 | 110.30 | 102 | 102 | 122.50 | 183.80 |
| 24.61 | 25.00 | 112.10 | 103 | 104 | 124.50 | 186.80 |
| 25.01 | 25.48 | 114.20 | 105 | 106 | 126.80 | 190.20 |
| 25.49 | 25.92 | 116.00 | 107 | 107 | 128.80 | 193.20 |
| 25.93 | 26.40 | 117.90 | 108 | 109 | 130.90 | 196.40 |
| 26.41 | 26.94 | 119.70 | 110 | 113 | 132.90 | 199.40 |
| 26.95 | 27.46 | 121.40 | 114 | 118 | 134.80 | 202.20 |
| 27.47 | 28.00 | 123.30 | 119 | 122 | 136.90 | 205.40 |
| 28.01 | 28.68 | 125.10 | 123 | 127 | 138.90 | 208.40 |
| 28.69 | 29.25 | 127.10 | 128 | 132 | 141.10 | 211.70 |
| 29.26 | 29.68 | 128.30 | 133 | 136 | 143.00 | 214.50 |
| 29.69 | 30.36 | 130.50 | 137 | 141 | 144.90 | 217.40 |
| 30.37 | 30.92 | 132.50 | 142 | 146 | 147.10 | 220.70 |
| 30.93 | 31.36 | 134.30 | 147 | 150 | 149.10 | 223.70 |
| 31.37 | 32.00 | 136.00 | 151 | 155 | 151.00 | 226.50 |
| 32.01 | 32.60 | 138.00 | 156 | 160 | 153.20 | 229.80 |
| 32.61 | 33.20 | 139.70 | 161 | 164 | 155.10 | 252.70 |
| 33.21 | 33.88 | 141.60 | 165 | 169 | 157.20 | 235.80 |
| 33.89 | 34.50 | 143.40 | 170 | 174 | 159.20 | 238.90 |
| 34.51 | 35.00 | 145.20 | 175 | 178 | 161.20 | 241.80 |
| 35.01 | 35.80 | 147.20 | 179 | 183 | 163.40 | 245.10 |
| 35.81 | 36.40 | 148.80 | 184 | 188 | 165.20 | 247.80 |
| 36.41 | 37.08 | 150.90 | 189 | 193 | 167.50 | 251.40 |
| 37.09 | 37.60 | 152.70 | 194 | 197 | 169.50 | 254.40 |
| 37.61 | 38.20 | 154.40 | 198 | 202 | 171.40 | 257.10 |
| 38.21 | 39.12 | 156.40 | 203 | 207 | 173.70 | 260.60 |
| 39.13 | 39.68 | 158.20 | 208 | 211 | 175.70 | 263.60 |
| 39.69 | 40.33 | 159.80 | 212 | 216 | 177.40 | 266.10 |
| 40.34 | 41.12 | 161.80 | 217 | 221 | 179.60 | 269.40 |
| 41.13 | 41.76 | 163.60 | 222 | 225 | 181.60 | 272.40 |
| 41.77 | 42.44 | 165.50 | 226 | 230 | 183.80 | 275.70 |
| 42.45 | 43.20 | 167.30 | 231 | 235 | 185.80 | 278.70 |
| 43.21 | 43.76 | 169.40 | 236 | 239 | 188.10 | 282.20 |
| 43.77 | 44.44 | 171.00 | 240 | 244 | 189.90 | 286.20 |
| 44.45 | 44.88 | 172.70 | 245 | 249 | 191.70 | 229.10 |
| 44.89 | 45.60 | 174.80 | 250 | 253 | 194.10 | 296.80 |
| | | 176.60 | 254 | 258 | 196.10 | 302.60 |
| | | 178.10 | 259 | 263 | 197.70 | 308.40 |
| | | 180.20 | 264 | 267 | 200.10 | 313.10 |
| | | 182.00 | 268 | 272 | 202.10 | 319.00 |
| | | 183.90 | 273 | 277 | 204.20 | 324.80 |
| | | 185.70 | 278 | 281 | 206.20 | 329.50 |
| | | 187.50 | 282 | 286 | 208.20 | 335.40 |
| | | 189.50 | 287 | 291 | 210.40 | 341.30 |
| | | 191.10 | 292 | 295 | 212.20 | 345.90 |
| | | 193.10 | 296 | 300 | 214.40 | 351.70 |
| | | 194.90 | 301 | 305 | 216.40 | 357.60 |
| | | 196.60 | 306 | 309 | 218.30 | 362.40 |

**TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND
MAXIMUM FAMILY BENEFITS—Continued**

| I (Primary insurance benefit under 1939 Act, as modified) | | II (Primary insurance amount effective for September 1972) | III (Average monthly wage) | | IV (Primary insurance amount) | V (Maximum family benefits) |
|--|--------------------|--|---|--------------------|---|--|
| If an individual's primary insurance benefit (as determined under subsec. (d)) is— | | Or his primary insurance amount (as determined under subsec. (c)) is— | Or his average monthly wage (as determined under subsec. (b)) is— | | The amount referred to in the preceding paragraphs of this subsection shall be— | And the maximum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self-employment income shall be— |
| At least— | But not more than— | | At least— | But not more than— | | |
| | | \$198.60 | \$310 | \$314 | \$220.50 | \$368.20 |
| | | 200.80 | 315 | 319 | 222.40 | 374.10 |
| | | 202.00 | 320 | 323 | 224.30 | 378.80 |
| | | 204.00 | 324 | 328 | 226.50 | 384.70 |
| | | 205.80 | 329 | 333 | 228.50 | 390.50 |
| | | 207.90 | 334 | 337 | 230.80 | 395.20 |
| | | 209.40 | 338 | 342 | 232.50 | 401.00 |
| | | 211.40 | 344 | 347 | 234.50 | 406.90 |
| | | 213.30 | 348 | 351 | 236.80 | 411.50 |
| | | 215.00 | 352 | 356 | 238.70 | 417.40 |
| | | 217.00 | 357 | 361 | 240.90 | 423.30 |
| | | 218.70 | 362 | 365 | 242.80 | 428.00 |
| | | 220.40 | 366 | 370 | 244.70 | 438.80 |
| | | 222.40 | 371 | 375 | 246.90 | 439.60 |
| | | 224.80 | 376 | 379 | 248.90 | 444.50 |
| | | 226.20 | 380 | 384 | 251.10 | 450.30 |
| | | 227.80 | 385 | 389 | 252.90 | 456.10 |
| | | 229.60 | 390 | 393 | 254.90 | 460.80 |
| | | 231.60 | 394 | 398 | 257.10 | 466.70 |
| | | 233.40 | 399 | 403 | 259.00 | 472.60 |
| | | 235.40 | 404 | 407 | 261.80 | 477.20 |
| | | 236.90 | 408 | 412 | 263.00 | 483.10 |
| | | 238.60 | 413 | 417 | 264.90 | 488.90 |
| | | 204.30 | 418 | 421 | 266.80 | 493.60 |
| | | 242.20 | 422 | 426 | 268.80 | 499.40 |
| | | 243.80 | 427 | 431 | 270.70 | 505.30 |
| | | 245.40 | 432 | 436 | 272.40 | 511.20 |
| | | 247.40 | 437 | 440 | 274.70 | 513.50 |
| | | 248.90 | 441 | 445 | 276.30 | 516.50 |
| | | 250.60 | 446 | 450 | 278.20 | 519.40 |
| | | 252.50 | 451 | 454 | 280.30 | 521.70 |
| | | 254.10 | 455 | 459 | 282.10 | 524.60 |
| | | 255.80 | 460 | 464 | 284.00 | 527.50 |
| | | 257.40 | 465 | 468 | 285.80 | 530.00 |
| | | 259.40 | 469 | 473 | 288.00 | 532.80 |
| | | 260.90 | 474 | 478 | 289.60 | 535.80 |
| | | 262.60 | 479 | 482 | 291.50 | 538.20 |
| | | 264.50 | 483 | 487 | 293.60 | 541.20 |
| | | 266.10 | 488 | 492 | 295.40 | 544.10 |
| | | 267.80 | 493 | 496 | 297.30 | 546.40 |
| | | 269.70 | 497 | 501 | 299.40 | 549.30 |
| | | 271.20 | 502 | 506 | 301.10 | 552.20 |
| | | 272.90 | 507 | 510 | 303.00 | 554.60 |
| | | 274.60 | 511 | 515 | 304.90 | 557.50 |
| | | 276.40 | 516 | 520 | 306.90 | 560.50 |
| | | 278.10 | 521 | 524 | 308.70 | 562.70 |
| | | 279.80 | 525 | 529 | 310.60 | 565.70 |
| | | 281.70 | 530 | 534 | 312.70 | 568.60 |
| | | 283.20 | 535 | 538 | 314.40 | 571.00 |
| | | 284.90 | 539 | 543 | 316.30 | 573.90 |
| | | 286.80 | 544 | 548 | 318.40 | 576.80 |
| | | 288.40 | 549 | 553 | 320.20 | 579.80 |
| | | 290.10 | 554 | 556 | 322.10 | 581.50 |
| | | 291.60 | 557 | 560 | 323.60 | 583.90 |
| | | 293.10 | 561 | 563 | 325.40 | 585.70 |
| | | 294.60 | 564 | 567 | 327.10 | 588.00 |
| | | 296.20 | 568 | 570 | 328.80 | 589.80 |
| | | 297.60 | 571 | 574 | 330.40 | 592.00 |
| | | 299.20 | 575 | 577 | 332.20 | 593.09 |
| | | 300.60 | 578 | 581 | 333.70 | 596.10 |
| | | 302.20 | 582 | 584 | 335.50 | 597.90 |
| | | 303.60 | 585 | 588 | 337.00 | 600.30 |
| | | 305.30 | 589 | 591 | 338.90 | 602.00 |

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND
MAXIMUM FAMILY BENEFITS—Continued

| I (Primary insurance benefit under 1939 Act, as modified) | | II (Primary insurance amount effective for September 1972) | III (Average monthly wage) | | IV (Primary insurance amount) | V (Maximum family benefits) |
|--|--------------------------|--|---|--------------------------|--|--|
| If an individual's primary insur- ance benefit (as determined under subsec. (d)) is— | | Or his primary insurance amount (as determined under subsec. (c)) is— | Or his average monthly wage (as determined under sub- sec. (b)) is— | | The amount referred to in the preceding paragraphs of this subsection shall be— | And the maxi- mum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self- employment income shall be— |
| At least— | But not more than— | | At least— | But not more than— | | |
| | | \$306.80 | \$592 | \$595 | \$340.60 | \$604.40 |
| | | 308.30 | 596 | 598 | 342.30 | 606.10 |
| | | 309.80 | 599 | 602 | 343.90 | 608.60 |
| | | 311.30 | 603 | 605 | 345.60 | 610.30 |
| | | 312.80 | 606 | 609 | 347.30 | 612.60 |
| | | 314.40 | 610 | 612 | 349.00 | 614.40 |
| | | 315.90 | 613 | 616 | 350.70 | 616.70 |
| | | 317.40 | 617 | 620 | 352.40 | 619.10 |
| | | 318.90 | 621 | 623 | 354.00 | 620.80 |
| | | 320.40 | 624 | 627 | 355.70 | 623.20 |
| | | 321.90 | 628 | 630 | 357.40 | 625.80 |
| | | 323.40 | 631 | 634 | 359.00 | 628.40 |
| | | 325.00 | 635 | 637 | 360.80 | 631.80 |
| | | 326.60 | 638 | 641 | 362.60 | 634.40 |
| | | 328.00 | 642 | 644 | 364.10 | 637.20 |
| | | 329.60 | 645 | 648 | 365.90 | 640.30 |
| | | 331.00 | 649 | 652 | 367.50 | 643.10 |
| | | 332.00 | 653 | 656 | 368.60 | 645.00 |
| | | 332.90 | 657 | 660 | 369.60 | 646.70 |
| | | 334.10 | 661 | 665 | 370.90 | 649.10 |
| | | 335.30 | 666 | 670 | 372.20 | 651.40 |
| | | 336.60 | 671 | 675 | 373.60 | 653.70 |
| | | 337.70 | 676 | 680 | 374.90 | 656.10 |
| | | 338.90 | 681 | 685 | 376.20 | 658.40 |
| | | 340.10 | 686 | 690 | 377.60 | 660.70 |
| | | 341.30 | 691 | 695 | 378.90 | 663.10 |
| | | 342.60 | 696 | 700 | 380.20 | 665.40 |
| | | 343.70 | 701 | 705 | 381.60 | 667.70 |
| | | 344.90 | 706 | 710 | 382.90 | 670.00 |
| | | 346.10 | 711 | 715 | 384.20 | 672.40 |
| | | 347.30 | 716 | 720 | 385.60 | 674.70 |
| | | 348.60 | 721 | 725 | 386.90 | 677.00 |
| | | 349.70 | 726 | 730 | 388.20 | 679.40 |
| | | 350.90 | 731 | 735 | 389.50 | 681.70 |
| | | 352.10 | 736 | 740 | 390.90 | 684.00 |
| | | 353.30 | 741 | 745 | 392.20 | 686.40 |
| | | 354.60 | 746 | 750 | 393.50 | 688.70 |
| | | 355.60 | 751 | 755 | 394.70 | 690.70 |
| | | 356.60 | 756 | 760 | 395.80 | 692.60 |
| | | 357.60 | 761 | 765 | 396.90 | 694.60 |
| | | 358.60 | 766 | 770 | 398.00 | 696.50 |
| | | 359.60 | 771 | 775 | 399.10 | 698.50 |
| | | 360.60 | 776 | 780 | 400.20 | 700.30 |
| | | 361.60 | 781 | 785 | 401.30 | 702.30 |
| | | 362.60 | 786 | 790 | 402.40 | 704.30 |
| | | 363.60 | 791 | 795 | 403.50 | 706.20 |
| | | 364.60 | 796 | 800 | 404.60 | 708.10 |
| | | 365.60 | 801 | 805 | 405.80 | 710.10 |
| | | 366.60 | 806 | 810 | 406.90 | 712.00 |
| | | 367.60 | 811 | 815 | 408.00 | 714.00 |
| | | 368.60 | 816 | 820 | 409.10 | 715.90 |
| | | 369.60 | 821 | 825 | 410.20 | 717.90 |
| | | 370.60 | 826 | 830 | 411.30 | 719.80 |
| | | 371.60 | 831 | 835 | 412.40 | 721.80 |
| | | 372.60 | 836 | 840 | 413.50 | 723.70 |
| | | 373.60 | 841 | 845 | 414.60 | 725.70 |
| | | 374.60 | 846 | 850 | 415.70 | 727.60 |
| | | 375.60 | 851 | 855 | 416.90 | 729.60 |
| | | 376.60 | 856 | 860 | 418.00 | 731.40 |
| | | 377.60 | 861 | 865 | 419.10 | 733.40 |
| | | 378.60 | 866 | 870 | 420.20 | 735.30 |
| | | 379.60 | 871 | 875 | 421.30 | 737.30 |

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND
MAXIMUM FAMILY BENEFITS—Continued

| I (Primary insurance benefit under 1939 Act, as modified) | | II (Primary insurance amount effective for September 1972) | III (Average monthly wage) | | IV (Primary insurance amount) | V (Maximum family benefits) |
|--|--------------------------|--|---|--------------------------|--|--|
| If an individual's primary insur- ance benefit (as determined under subsec. (d)) is— | | Or his primary insurance amount (as determined under subsec. (c)) is— | Or his average monthly wage (as determined under sub- sec. (b)) is— | | The amount referred to in the preceding paragraphs of this subsection shall be— | And the maxi- mum amount of benefits payable (as provided in sec. 203(a)) on the basis of his wages and self- employment income shall be— |
| At least— | But not more than— | | At least— | But not more than— | | |
| | | \$380.50 | \$876 | \$880 | \$422.40 | \$739.20 |
| | | 381.50 | 881 | 885 | 423.50 | 741.20 |
| | | 382.50 | 886 | 890 | 424.60 | 743.10 |
| | | 383.50 | 891 | 895 | 425.70 | 745.10 |
| | | 384.50 | 896 | 900 | 426.80 | 747.00 |
| | | 385.50 | 901 | 905 | 428.00 | 749.00 |
| | | 386.50 | 906 | 910 | 429.10 | 750.90 |
| | | 387.50 | 911 | 915 | 430.20 | 752.90 |
| | | 388.50 | 916 | 920 | 431.30 | 754.70 |
| | | 389.50 | 921 | 925 | 432.40 | 756.70 |
| | | 390.50 | 926 | 930 | 433.50 | 758.60 |
| | | 391.50 | 931 | 935 | 434.60 | 760.60 |
| | | 392.50 | 936 | 940 | 435.70 | 762.50 |
| | | 393.50 | 941 | 945 | 436.80 | 764.50 |
| | | 394.50 | 946 | 950 | 437.90 | 766.40 |
| | | 395.50 | 951 | 955 | 439.10 | 768.40 |
| | | 396.50 | 956 | 960 | 440.20 | 770.30 |
| | | 397.50 | 961 | 965 | 441.30 | 772.30 |
| | | 398.50 | 966 | 970 | 442.40 | 774.20 |
| | | 399.50 | 971 | 975 | 443.50 | 776.20 |
| | | 400.50 | 976 | 980 | 444.60 | 778.00 |
| | | 401.50 | 981 | 985 | 445.70 | 780.00 |
| | | 402.50 | 986 | 990 | 446.50 | 781.90 |
| | | 403.50 | 991 | 995 | 447.90 | 783.90 |
| | | 404.50 | 996 | 1,000 | 449.00 | 785.80 |
| | | | 1,001 | 1,005 | 450.00 | 787.50 |
| | | | 1,006 | 1,010 | 451.00 | 789.30 |
| | | | 1,011 | 1,015 | 452.00 | 791.00 |
| | | | 1,016 | 1,020 | 453.00 | 792.80 |
| | | | 1,021 | 1,025 | 454.00 | 794.50 |
| | | | 1,026 | 1,030 | 455.00 | 796.30 |
| | | | 1,031 | 1,035 | 456.00 | 798.00 |
| | | | 1,036 | 1,040 | 457.00 | 799.80 |
| | | | 1,041 | 1,045 | 458.00 | 801.50 |
| | | | 1,046 | 1,050 | 459.00 | 803.30 |
| | | | 1,051 | 1,055 | 460.00 | 805.00 |
| | | | 1,056 | 1,060 | 461.00 | 806.80 |
| | | | 1,061 | 1,065 | 462.00 | 808.50 |
| | | | 1,066 | 1,070 | 463.00 | 810.30 |
| | | | 1,071 | 1,075 | 464.00 | 812.00 |
| | | | 1,076 | 1,080 | 465.00 | 813.80 |
| | | | 1,081 | 1,085 | 466.00 | 815.50 |
| | | | 1,086 | 1,090 | 467.00 | 817.30 |
| | | | 1,091 | 1,095 | 468.00 | 819.00 |
| | | | 1,096 | 1,100 | 469.00 | 820.80 |

CERTAIN WAGES AND SELF-EMPLOYMENT INCOME NOT TO BE COUNTED

(e) For the purposes of subsections (b) and (d)—

(1) in computing an individual's average monthly wage there shall not be counted the excess over \$3,600 in the case of any calendar year after 1950 and before 1955, the excess over \$4,200 in the case of any calendar year after 1954 and before 1959, the

excess over \$4,800 in the case of any calendar year after 1958 and before 1966, the excess over \$6,600 in the case of any calendar year after 1965 and before 1968, the excess over \$7,800 in the case of any calendar year after 1967 and before 1972, the excess over \$9,000 in the case of any calendar year after 1971 and before 1973, the excess over \$10,800 in the case of any calendar year after 1972 and before 1974, the excess over **["\$12,600"]** *\$13,200* in the case of any calendar year after 1973 and before 1975, and the excess over an amount equal to the contribution and benefit base (as determined under section 230) in the case of any calendar year after 1974 with respect to which such contribution and benefit base is effective ^{1, 2} of (A) the wages paid to him in such year, plus (B) the self-employment income credited to such year (as determined under section 212); and

(2) if an individual's average monthly wage computed under subsection (b) or for the purposes of subsection (d) is not a multiple of \$1, it shall be reduced to the next lower multiple of \$1.

* * * * *

COST-OF-LIVING INCREASES IN BENEFITS

(i)(1) For purposes of this subsection—

(A) the term "base quarter" means (i) **["the calendar quarter ending on June 30 in each year after 1972, or"]** *the calendar quarter ending on March 31 in each year after 1974*, or (ii) any other calendar quarter in which occurs the effective month of a general benefit increase under this title;

(B) the term "cost-of-living computation quarter" means a base quarter, as defined in subparagraph (A)(i), in which the Consumer Price Index prepared by the Department of Labor exceeds, by not less than 3 per centum, such Index in the later of (i) the last prior cost-of-living computation quarter which was established under this subparagraph, or (ii) the most recent calendar quarter in which occurred the effective month of a general benefit increase under this title; except that there shall be no cost-of-living computation quarter in any calendar year **["in which a law has been enacted providing a general benefit increase under this title or in which such a benefit increase becomes effective; and"]** *if in the year prior to such year a law has been enacted providing a general benefit increase under this title or if in such prior year a benefit increase becomes effective; and*

(C) the Consumer Price Index for a base quarter, a cost-of-living computation quarter, or any other calendar quarter shall be the arithmetical mean of such index for the 3 months in such quarter.

(2)(A)(i) The Secretary shall determine each year beginning with **["1974"]** *1975* (subject to the limitation in paragraph (1)(B) **["and to subparagraph (E) of this paragraph"]** whether the base quarter (as defined in paragraph (1)(A)(i)) in such year is a cost-of-living computation quarter.

(ii) If the Secretary determines that **["such base quarters"]** *the base quarter in any year* is a cost-of-living computation quarter, he shall, effective with the month of **["January of the next calendar year"]** *June of such year* (subject to subparagraph (E)) as provided in subparagraph

(B), increase the benefit amount of each individual who for such month is entitled to benefits under section 227 or 228, and the primary insurance amount of each other individual under this title (but not including a primary insurance amount determined under subsection (a)(3) of this section),¹ by an amount derived by multiplying each such amount (including each such individual's primary insurance amount or benefit amount under section 227 or 228 as previously increased under this subparagraph) by the same percentage (rounded to the nearest one-tenth of 1 percent) as the percentage by which the Consumer Price Index for such cost-of-living computation quarter exceeds such index for the most recent prior calendar quarter which was a base quarter under paragraph (1)(A)(ii) or, if later, the most recent cost-of-living computation quarter under paragraph (1)(B). Any such increased amount which is not a multiple of \$0.10 shall be increased to the next higher multiple of \$0.10.

(B) The increase provided by subparagraph (A) with respect to a particular cost-of-living computation quarter shall apply [(subject to subparagraph (E))] in the case of monthly benefits under this title for months after **[December]** *May* of the calendar year in which occurred such cost-of-living computation quarter, and in the case of lump-sum death payments with respect to deaths occurring after **[December]** *May* of such calendar year.

(C)(i) Whenever the level of the Consumer Price Index as published for any month exceeds by 2.5 percent or more the level of such index for the most recent base quarter (as defined in paragraph (1)(A)(ii)) or, if later, the most recent cost-of-living computation quarter, the Secretary shall (within 5 days after such publication) report the amount of such excess to the House Committee on Ways and Means and the Senate Committee on Finance.

(ii) Whenever the Secretary determines that a base quarter in a calendar year is also a cost-of-living computation quarter, he shall notify the House Committee on Ways and Means and the Senate Committee on Finance of such determination **[on or before August 15 of such calendar year]** *within 30 days after the close of such quarter*, indicating the amount of the benefit increase to be provided, his estimate of the extent to which the cost of such increase would be met by an increase in the contribution and benefit base under section 230 and the estimated amount of the increase in such base, the actuarial estimates of the effect of such increase, and the actuarial assumptions and methodology used in preparing such estimates.

(D) If the Secretary determines that a base quarter in a calendar year is also a cost-of-living computation quarter, he shall publish in the Federal Register **[on or before November 1 of such calendar year]** *within 45 days after the close of such quarter* a determination that a benefit increase is resultantly required and the percentage thereof. He shall also publish in the Federal Register at that time (along with the increased benefit amounts which shall be deemed to be the amounts appearing in sections 227 and 228) a revision of the table of benefits contained in subsection (a) of this section (as it may have been most recently revised by another law or pursuant to this paragraph; and such revised table shall be deemed to be the table appearing in such subsection (a). Such revision shall be determined as follows:

* * * * *

[(E) Notwithstanding a determination by the Secretary under subparagraph (A) that a base quarter in any calendar year is a cost-of-living computation quarter (and notwithstanding any notification or publication thereof under subparagraph (C) or (D)), no increase in benefits shall take effect pursuant thereto, and such quarter shall be deemed not to be a cost-of-living computation quarter, if during the calendar year in which such determination is made a law providing a general benefit increase under this title is enacted or becomes effective.]

* * * * *

TRANSITIONAL INSURED STATUS

SEC. 227. (a) In the case of any individual who attains the age of 72 before 1969 but who does not meet the requirements of section 214(a), the 6 quarters of coverage referred to in paragraph (1) of section 214(a) shall, instead, be 3 quarters of coverage for purposes of determining entitlement of such individual to benefits under section 202(a), and of his wife to benefits under section 202(b), but, in the case of such wife, only if she attains the age of 72 before 1969 and only with respect to wife's insurance benefits under section 202(b) for and after the month in which she attains such age. For each month before the month in which any such individual meets the requirements of section 214(a), the amount of his old-age insurance benefit shall, notwithstanding the provisions of section 202(a), be **[\$58.00]** \$64.40 and the amount of the wife's insurance benefit of his wife shall, notwithstanding the provisions of section 202(b), be **[\$29.00]** \$32.20.

(b) In the case of any individual who has died, who does not meet the requirements of section 214(a), and whose widow attains age 72 before 1969, the 6 quarters of coverage referred to in paragraph (3) of section 214(a) and in paragraph (1) thereof¹ shall, for purposes of determining her entitlement to widow's insurance benefits under section 202(e), instead be—

(1) 3 quarters of coverage if such widow attains the age of 72 in or before 1966.

(2) 4 quarters of coverage if such widow attains the age of 72 in 1967, or

(3) 5 quarters of coverage if such widow attains the age of 72 in 1968.

The amount of her widow's insurance benefit for each month shall, notwithstanding the provisions of section 202(e) (and section 202 (m)), be **[\$58.00]** \$64.40

(c) In the case of any individual who becomes, or upon filing application therefor would become, entitled to benefits under section 202(a) by reason of the application of subsection (a) of this section, who dies, and whose widow attains the age of 72 before 1969, such deceased individual shall be deemed to meet the requirements of subsection (b) of this section for purposes of determining entitlement of such widow to widow's insurance benefits under section 202(e).

BENEFITS AT AGE 72 FOR CERTAIN UNINSURED INDIVIDUALS

ELIGIBILITY

Sec. 228. (a) Every individual who—

(1) has attained the age of 72,

(2)(A) attained such age before 1968, or (B) has not less than 3 quarters of coverage, whenever acquired, for each calendar year elapsing after 1966 and before the year in which he attained such age,

(3) is a resident of the United States (as defined in subsection (e)), and is (A) a citizen of the United States or (B) an alien lawfully admitted for permanent residence who has resided in the United States (as defined in section 210(i)) continuously during the 5 years immediately preceding the month in which he files application under this section, and

(4) has filed application for benefits under this section, shall (subject to the limitations in this section) be entitled to a benefit under this section for each month beginning with the first month after September 1966 in which he becomes so entitled to such benefits and ending with the month preceding the month in which he dies. No application under this section which is filed by an individual more than 3 months before the first month in which he meets the requirements of paragraphs (1), (2), and (3) shall be accepted as an application for purposes of this section.

BENEFIT AMOUNT

(b)(1) Except as provided in paragraph (2), the benefit amount to which an individual is entitled under this section for any month shall be ~~[\$58.00]~~ \$64.40.

(2) If both husband and wife are entitled (or upon application would be entitled) to benefits under this section for any month, the amount of the husband's benefit for such month shall be ~~[\$58.00]~~ \$64.40 and the amount of the wife's benefit for such month shall be ~~[\$29.00]~~ \$32.20.

REDUCTION FOR GOVERNMENTAL PENSION SYSTEM BENEFITS

(c)(1) The benefit amount of any individual under this section for any month shall be reduced (but not below zero) by the amount of any periodic benefit under a governmental pension system for which he is eligible for such month.

(2) In the case of a husband and wife only one of whom is entitled to benefits under this section for any month, the benefit amount, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (A) the total amount of any periodic benefits under governmental pension systems for which the spouse who is not entitled to benefits under this section is eligible for such month, over (B) ~~[\$29.00]~~ \$32.20.

(3) In the case of a husband and wife both of whom are entitled to benefits under this section for any month—

(A) the benefit amount of the wife, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (i) the total amount of any periodic benefits

under governmental pension systems for which the husband is eligible for such month, over (ii) **[\$58.00]** *\$64.40*; and

(B) the benefit amount of the husband, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (i) the total amount of any periodic benefits under governmental pension systems for which the wife is eligible for such month, over (ii) **[\$29.00]** *\$32.20*.

* * * * *

ADJUSTMENT OF THE CONTRIBUTION AND BENEFIT BASE

Sec. 230. (a) Whenever the Secretary pursuant to section 215(i) increases benefits effective **[with the first month of the calendar year]** *with the June* following a cost-of-living computation quarter, he shall also determine and publish in the Federal Register on or before November 1 of the calendar year in which such quarter occurs **[along with the publication of such benefit increase as required by section 215(i)(2)(D)]** the contribution and benefit base determined under subsection (b) which shall be effective **[unless such increase in benefits is prevented from becoming effective by section 215(i)(2)(E))]** with respect to remuneration paid after the calendar year in which such quarter occurs and taxable years beginning after such year.

* * * * *

(c) For purposes of this section, and for purposes of determining wages and self-employment income under sections 209, 211, 213, and 215 of this Act and sections 1402, 3121, 3122, 3125, 6413, and 6654 of the Internal Revenue Code of 1954, the "contribution and benefit base" with respect to remuneration paid in (and taxable years beginning in) any calendar year after 1973 and prior to the calendar year with the **[first month]** *June* of which the first increase in benefits pursuant to section 215(i) of this Act becomes effective shall be **[\$12,600]** *\$13,200* or (if applicable) such other amount as may be specified in a law enacted subsequent to the law which added this section.

* * * * *

PART A—DETERMINATION OF BENEFITS

ELIGIBILITY FOR AND AMOUNT OF BENEFITS

DEFINITION OF ELIGIBLE INDIVIDUAL

Sec. 1611. (a)(1) Each aged, blind, or disabled individual who does not have an eligible spouse and—

(A) whose income, other than income excluded pursuant to section 1612(b), is at a rate of not more than **[\$1,680]** *\$1,752* for the calendar year 1974 or any calendar year thereafter, and

(B) whose resources, other than resources excluded pursuant to section 1613(a), are not more than (i) in case such individual has a spouse with whom he is living, \$2,250, or (ii) in case such individual has no spouse with whom he is living, \$1,500, shall be an eligible individual for purposes of this title.

(2) Each aged, blind, or disabled individual who has an eligible spouse and—

(A) whose income (together with the income of such spouse), other than income excluded pursuant to section 1612(b), is at a rate of not more than ~~[\$2,520]~~ \$2,628 for the calendar year 1974, or any calendar year thereafter, and

(B) whose resources (together with the resources of such spouse), other than resources excluded pursuant to section 1613(a), are not more than \$2,250, shall be an eligible individual for purposes of this title.

AMOUNTS OF BENEFITS

(b)(1) The benefit under this title for an individual who does not have an eligible spouse shall be payable at the rate of ~~[\$1,680]~~ \$1,752 for the calendar year 1974 and any calendar year thereafter, reduced by the amount of income, not excluded pursuant to section 1612(b), of such individual.

(2) The benefit under this title for an individual who has an eligible spouse shall be payable at the rate of ~~[\$2,520]~~ \$2,628 for the calendar year 1974 and any calendar year thereafter, reduced by the amount of income, not excluded pursuant to section 1612(b), of such individual and spouse.

INTERNAL REVENUE CODE

* * * * *

SUBTITLE A—INCOME TAXES

* * * * *

CHAPTER 2—TAX ON SELF-EMPLOYMENT INCOME

* * * * *

SEC. 1401. RATE OF TAX.

(a) * * *

* * * * *

(b) HOSPITAL INSURANCE.—In addition to the tax imposed by the preceding subsection, there shall be imposed for each taxable year, on the self-employment income of every individual, a tax as follows:

(1) in the case of any taxable year beginning after December 31, 1967, and before January 1, 1973, the tax shall be equal to 0.60 percent of the amount of the self-employment income for such taxable year;

(2) in the case of any taxable year beginning after December 31, 1972, and before January 1, 1978, the tax shall be equal to 1.0 percent of the amount of the self-employment income for such taxable year;

[(3) in the case of any taxable year beginning after December 31, 1977, and before January 1, 1981, the tax shall be equal to 1.25 percent of the amount of the self-employment income for such taxable year;

[(4) in the case of any taxable year beginning after December 31, 1980, and before January 1, 1986, the tax shall be equal to 1.35 percent of the amount of the self-employment income for such taxable year;

[(5) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 1.45 percent of the amount of the self-employment income for such taxable year.]

(2) *in the case of any taxable year beginning after December 31, 1972, and before January 1, 1974, the tax shall be equal to 1.0 percent of the amount of the self-employment income for such taxable year;*

(3) *in the case of any taxable year beginning after December 31, 1973, and before January 1, 1978, the tax shall be equal to 0.90 percent of the amount of the self-employment income for such taxable year;*

(4) *in the case of any taxable year beginning after December 31, 1977, and before January 1, 1981, the tax shall be equal to 1.10 percent of the amount of the self-employment income for such taxable year;*

(5) *in the case of any taxable year beginning after December 31, 1980, and before January 1, 1986, the tax shall be equal to 1.35 percent of the amount of the self-employment income for such taxable year; and*

(6) *in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 1.50 percent of the self-employment income for such taxable year.*

SEC. 1402. DEFINITIONS.

(a) * * *

* * * * *

(b) **SELF-EMPLOYMENT INCOME.**—The term “self-employment income” means the net earnings from self-employment derived by an individual (other than a nonresident alien individual) during any taxable year; except that such term shall not include—

(i) that part of the net earnings from self-employment which is in excess of—

(A) * * *

* * * * *

(H) for any taxable year beginning after 1973 and before 1975, (i) [\$12,600] \$13,200, minus (ii) the amount of the wages paid to such individual during the taxable year; and

* * * * *

SUBTITLE C—EMPLOYMENT TAXES

* * * * *

CHAPTER 21—FEDERAL INSURANCE CONTRIBUTIONS ACT

* * * * *

SUBCHAPTER A—TAX ON EMPLOYEES

* * * * *

SEC. 3101. RATE OF TAX.

(a) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—In addition to other taxes, there is hereby imposed on the income of every individual a tax equal to the following percentages of the wages (as defined in section 3121(a)) received by him with respect to employment (as defined in section 3121(b))—

(1) with respect to wages received during the calendar year 1968, the rate shall be 3.8 percent;

(2) with respect to wages received during the calendar years 1969 and 1970, the rate shall be 4.2 percent;

(3) with respect to wages received during the calendar years 1971 and 1972, the rate shall be 4.6 percent;

[(4) with respect to wages received during the calendar years 1973, 1974, 1975, 1976, and 1977, the rate shall be 4.85 percent;

[(5) with respect to wages received during the calendar years 1978 through 2010, the rate shall be 4.80 percent; and

[(6) with respect to wages received after December 31, 2010, the rate shall be 5.85 percent.]

(4) with respect to wages received during the calendar year 1973, the rate shall be 4.85 percent;

(5) with respect to wages received during the calendar years 1974 through 2010, the rate shall be 4.95 percent; and

(6) with respect to wages received after December 31, 2010, the rate shall be 5.95 percent.

(b) HOSPITAL INSURANCE.—In addition to the tax imposed by the preceding subsection, there is hereby imposed on the income of every individual a tax equal to the following percentages of the wages (as defined in section 3121(a)) received by him with respect to employment (as defined in section 3121(b))—

(1) with respect to wages paid during the calendar years 1968, 1969, 1970, 1971, and 1972, the rate shall be 0.60 percent;

[(2) with respect to wages received during the calendar years 1973, 1974, 1975, 1976, and 1977, the rate shall be 1.0 percent;

[(3) with respect to wages received during the calendar years 1978, 1979, and 1980, the rate shall be 1.25 percent;

[(4) with respect to wages paid during the calendar years 1981, 1982, 1983, 1984, and 1985, the rate shall be 1.35 percent; and

[(5) with respect to wages paid after December 31, 1985, the rate shall be 1.45 percent.]

(2) with respect to wages received during the calendar year 1973, the rate shall be 1.0 percent;

(3) with respect to wages received during the calendar years 1974 through 1977, the rate shall be 0.90 percent;

(4) *with respect to wages received during the calendar years 1978 through 1980, the rate shall be 1.10 percent;*

(5) *with respect to wages received during the calendar years 1981 through 1985, the rate shall be 1.35 percent; and*

(6) *with respect to wages received after December 31, 1985, the rate shall be 1.50 percent.*

* * * * *

SUBCHAPTER B—TAX ON EMPLOYERS

* * * * *

SEC. 3111. RATE OF TAX.

(a) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—In addition to other taxes, there is hereby imposed on every employer an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 3121(a)) paid by him with respect to employment (as defined in section 3121(b))—

(1) with respect to wages paid during the calendar year 1968, the rate shall be 3.8 percent;

(2) with respect to wages paid during the calendar years 1969 and 1970, the rate shall be 4.2 percent;

(3) with respect to wages paid during the calendar years 1971 and 1972, the rate shall be 4.6 percent;

[(4) with respect to wages paid during the calendar years 1973, 1974, 1975, 1976, and 1977, the rate shall be 4.85 percent;

[(5) with respect to wages paid during the calendar years 1978 through 2010, the rate shall be 4.80 percent; and

[(6) with respect to wages paid after December 31, 2010, the rate shall be 5.85 percent.]

(4) *with respect to wages paid during the calendar year 1973, the rate shall be 4.85 percent;*

(5) *with respect to wages paid during the calendar years 1974 through 2010, the rate shall be 4.95 percent; and*

(6) *with respect to wages paid after December 31, 2010, the rate shall be 5.95 percent.*

(b) HOSPITAL INSURANCE.—In addition to the tax imposed by the preceding subsection, there is hereby imposed on every employer an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 3121(a)) paid by him with respect to employment (as defined in section 3121(b))—

(1) with respect to wages paid during the calendar years 1968, 1969, 1970, 1971, and 1972, the rate shall be 0.60 percent;

[(2) with respect to wages paid during the calendar years 1973, 1974, 1975, 1976, and 1977, the rate shall be 1.0 percent;

[(3) with respect to wages received during the calendar years 1978, 1979, and 1980, the rate shall be 1.25 percent;

[(4) with respect to wages received during the calendar years 1981, 1982, 1983, 1984, and 1985, the rate shall be 1.35 percent; and

[(5) with respect to wages received after December 31, 1985, the rate shall be 1.45 percent.]

(2) with respect to wages paid during the calendar year 1973, the rate shall be 1.0 percent;

(3) with respect to wages paid during the calendar years 1974 through 1977, the rate shall be 0.90 percent;

(4) with respect to wages paid during the calendar years 1978 through 1980, the rate shall be 1.10 percent;

(5) with respect to wages paid during the calendar years 1981 through 1985, the rate shall be 1.35 percent; and

(6) with respect to wages paid after December 31, 1985, the rate shall be 1.50 percent.

* * * * *

SUBCHAPTER C—GENERAL PROVISIONS

* * * * *

SEC. 3121. DEFINITIONS.

(a) **WAGES.**—For purposes of this chapter, the term “wages” means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

(1) that part of the remuneration which, after remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) equal to **[\$10,800] \$13,200** with respect to employment has been paid to an individual by an employer during any calendar year, is paid to such individual by such employer during such calendar year. If an employer (hereinafter referred to as successor employer) during any calendar year acquires substantially all the property used in a trade or business of another employer (hereinafter referred to as a predecessor), or used in a separate unit of a trade or business of a predecessor, and immediately after the acquisition employs in his trade or business an individual who immediately prior to the acquisition was employed in the trade or business of such predecessor, then, for the purpose of determining whether the successor employer has paid remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment equal to **[\$10,800] \$13,200** to such individual during such calendar year, any remuneration (other than remuneration referred to in the succeeding paragraphs of this subsection) with respect to employment paid (or considered under this paragraph as having been paid) to such individual by such predecessor during such calendar year and prior to such acquisition shall be considered as having been paid by such successor employer;

* * * * *

SEC. 3122. FEDERAL SERVICE.

In the case of the taxes imposed by this chapter with respect to service performed in the employ of the United States or in the employ of any instrumentality which is wholly owned by the United States, including service, performed as a member of a uniformed service, to which the provisions of section 3121(m)(1) are applicable, and including service, performed as a volunteer or volunteer leader within the meaning of the Peace Corps Act, to which the provisions of section

3121(p) are applicable, the determination whether an individual has performed service which constitutes employment as defined in section 3121(b), the determination of the amount of remuneration for such service which constitutes wages as defined in section 3121(a), and the return and payment of the taxes imposed by this chapter, shall be made by the head of the Federal agency or instrumentality having the control of such service, or by such agents as such head may designate. The person making such return may, for convenience of administration, make payments of the tax imposed under section 3111 with respect to such service without regard to the **[\$10,800]** \$13,200 limitation in section 3121(a)(1), and he shall not be required to obtain a refund of the tax paid under section 3111 on that part of the remuneration not included in wages by reason of section 3121(a)(1). Payments of the tax imposed under section 3111 with respect to service, performed by an individual as a member of a uniformed service, to which the provisions of section 3121(m)(1) are applicable, shall be made from appropriations available for the pay of members of such uniformed service. The provisions of this section shall be applicable in the case of service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Army and Air Force Exchange Service, Army and Air Force Motion Picture Service, Navy Exchanges, Marine Corps Exchanges, or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary of Defense, at installations of the Department of Defense for the comfort, pleasure, contentment, and mental and physical improvement of personnel of such Department; and for purposes of this section the Secretary of Defense shall be deemed to be the head of such instrumentality. The provisions of this section shall be applicable also in the case of service performed by a civilian employee, not compensated from funds appropriated by the Congress, in the Coast Guard Exchanges or other activities, conducted by an instrumentality of the United States subject to the jurisdiction of the Secretary, at installations of the Coast Guard for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the Coast Guard; and for purposes of this section the Secretary shall be deemed to be the head of such instrumentality.

* * * * *

SEC. 3125. RETURNS IN THE CASE OF GOVERNMENTAL EMPLOYEES IN GUAM, AMERICAN SAMOA, AND THE DISTRICT OF COLUMBIA.

(a) GUAM.—The return and payment of the taxes imposed by this chapter on the income of individuals who are officers or employees of the Government of Guam or any political subdivision thereof or of any instrumentality of any one or more of the foregoing which is wholly owned thereby, and those imposed on such Government or political subdivision or instrumentality with respect to having such individuals in its employ, may be made by the Governor of Guam or by such agents as he may designate. The person making such return may, for convenience of administration, make payments of the tax imposed under section 3111 with respect to the service of such individuals without regard to the **[\$10,800]** \$13,200 limitation in section 3121(a)(1).

(b) **AMERICAN SAMOA.**—The return and payment of the taxes imposed by this chapter on the income of individuals who are officers or employees of the Government of American Samoa or any political subdivision thereof or of any instrumentality of any one or more of the foregoing which is wholly owned thereby, and those imposed on such Government or political subdivision or instrumentality with respect to having such individuals in its employ, may be made by the Governor of American Samoa or by such agents as he may designate. The person making such return may, for convenience of administration, make payments of the tax imposed under section 3111 with respect to the service of such individuals without regard to the **[\$10,800] \$13,200** limitation in section 3121(a)(1).

(c) **DISTRICT OF COLUMBIA.**—In the base of the taxes imposed by this chapter with respect to service performed in the employ of the District of Columbia or in the employ of any instrumentality which is wholly owned thereby, the return and payment of the taxes may be made by the Commissioners of the District of Columbia or by such agents as they may designate. The person making such return may, for convenience of administration, make payments of the tax imposed by section 3111 with respect to such service without regard to the **[\$10,800] \$13,200** limitation in section 3121(a)(1).

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SUBTITLE F—PROCEDURE AND ADMINISTRATION

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CHAPTER 65—ABATEMENTS, CREDITS, AND REFUNDS

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SUBCHAPTER B—RULES OF SPECIAL APPLICATION

* * * * *

SEC. 6413. SPECIAL RULES APPLICABLE TO CERTAIN EMPLOYMENT TAXES.

(a) * * *

* * * * *

(c) **SPECIAL REFUNDS.**—

(1) **IN GENERAL.**—If by reason of an employee receiving wages from more than one employer during a calendar year after the calendar year 1950 and prior to the calendar year 1955, the wages received by him during such year exceed \$3,600, the employee shall be entitled (subject to the provisions of section 31(b)) to a credit or refund of any amount of tax, with respect to such wages, imposed by section 1400 of the Internal Revenue Code of 1939 and deducted from the employee's wages (whether or not paid to the Secretary or his delegate), which exceeds the tax with respect to the first \$3,600 of such wages received; or if by reason of an employee receiving wages from more than one employer (A) during any calendar year after the calendar year 1954 and prior to the calendar year 1959, the wages received

by him during such year exceed \$4,200, or (B) during any calendar year after the calendar year 1958 and prior to the calendar year 1966, the wages received by him during such year exceed \$4,800, or (C) during any calendar year after the calendar year 1965 and prior to the calendar year 1968, the wages received by him during such year exceed \$6,600, or (D) during any calendar year after the calendar year 1967 and prior to the calendar year 1972, the wages received by him during such year exceed \$7,800, or (E) during any calendar year after the calendar year 1971 and prior to the calendar year 1973, the wages received by him during such year exceed \$9,000 or (F) during any calendar year after the calendar year 1972 and prior to the calendar year 1974, the wages received by him during such year exceed \$10,800, or (i) during any calendar year after the calendar year 1973 and prior to the calendar year 1975, the wages received by him during such year exceed **[\$12,600]** \$13,200, or (H) during any calendar year after 1974, the wages received by him during such year exceed the contribution and benefit base (as determined under section 230 of the Social Security Act) which is effective with respect to such year; and the employee shall be entitled (subject to the provisions of section 31(b)) to a credit or refund of any amount of tax, with respect to such wages, imposed by section 3101 and deducted from the employee's wages (whether or not paid to the Secretary or his delegate), which exceeds the tax with respect to the first \$4,200 of such wages received in such calendar year after 1954 and before 1959, or which exceeds the tax with respect to the first \$4,800 of such wages received in such calendar year after 1958 and before 1966, or which exceeds the tax with respect to the first \$6,600 of such wages received in such calendar year after 1965 and before 1968, or which exceeds the tax with respect to the first \$7,800 of such wages received in such calendar year after 1967 and before 1972, or which exceeds the tax with respect to the first \$9,000 of such wages received in such calendar year after 1971 and before 1973, or which exceeds the tax with respect to the first \$10,800 of such wages received in such calendar year after 1972 and before 1974, or which exceeds the tax with respect to the first **[\$12,600]** \$13,200 of such wages received in such calendar year after 1973 and before 1975, or which exceeds the tax with respect to an amount of such wages received in such calendar year after 1974 equal to the contribution and benefit base (as determined under section 230 of the Social Security Act) which is effective with respect to such year.

(2) **APPLICABILITY IN CASE OF FEDERAL AND STATE EMPLOYEES, EMPLOYEES OF CERTAIN FOREIGN CORPORATIONS, AND GOVERNMENTAL EMPLOYEES IN GUAM, AMERICAN SAMOA, AND THE DISTRICT OF COLUMBIA.—**

(A) **FEDERAL EMPLOYEES.**—In the case of remuneration received from the United States or a wholly owned instrumentality thereof during any calendar year, each head of a Federal agency or instrumentality who makes a return pur-

suant to section 3122 and each agent, designated by the head of a Federal agency or instrumentality, who makes a return pursuant to such section shall, for purposes of this subsection, be deemed a separate employer, and the term "wages" includes for purposes of this subsection the amount, not to exceed \$3,600 for the calendar year 1951, 1952, 1953, or 1954, \$4,200 for the calendar year 1955, 1956, 1957, or 1958, \$4,800 for the calendar year 1959, 1960, 1961, 1962, 1963, 1964, or 1965, \$6,600 for the calendar year 1966 or 1967, \$7,800 for the calendar year 1968, 1969, 1970 or 1971, or \$9,000 for the calendar year 1972, \$10,800 for the calendar year 1973, **[\$12,600]** \$13,200 for the calendar year 1974, or an amount equal to the contribution and benefit base (as determined under section 230 of the Social Security Act) for any calendar year after 1974 with respect to which such contribution and benefit base is effective, determined by each such head or agent as constituting wages paid to an employee.

* * * * *

CHAPTER 68—ADDITIONS TO THE TAX, ADDITIONAL AMOUNTS, AND ASSESSABLE PENALTIES

* * * * *

SUBCHAPTER A—ADDITIONS TO THE TAX AND ADDITIONAL AMOUNTS

* * * * *

SEC. 6654. FAILURE BY INDIVIDUAL TO PAY ESTIMATED INCOME TAX.

(a) * * *

* * * * *

(d) EXCEPTION.—Notwithstanding the provisions of the preceding subsections, the addition to the tax with respect to any underpayment of any installment shall not be imposed if the total amount of all payments of estimated tax made on or before the last date prescribed for the payment of such installment equals or exceeds the amount which would have been required to be paid on or before such date if the estimated tax were whichever of the following is the least—

(1) The tax shown on the return of the individual for the preceding taxable year, if a return showing a liability for tax was filed by the individual for the preceding taxable year and such preceding year was a taxable year of 12 months.

(2) An amount equal to 80 percent (66⅔ percent in the case of individuals referred to in section 6073(b), relating to income from farming or fishing) of the tax for the taxable year computed by placing on an annualized basis the taxable income for the months in the taxable year ending before the month in which the installment is required to be paid and by taking into account the adjusted self-employment income (if the net earnings from self-employment (as defined in section 1402(a)) for the taxable year equal or exceed \$400). For purposes of this paragraph—

(A) The taxable income shall be placed on an annualized basis by—

(i) multiplying by 12 (or, in the case of a taxable year of less than 12 months, the number of months in the taxable year) the taxable income (computed without deduction of personal exemptions) for the months in the taxable year ending before the month in which the installment is required to be paid,

(ii) dividing the resulting amount by the number of months in the taxable year ending before the month in which such installment date falls, and

(iii) deducting from such amount the deductions for personal exemptions allowable for the taxable year (such personal exemptions being determined as of the last date prescribed for payment of the installment).

(B) The term "adjusted self-employment income" means—

(i) the net earnings from self-employment (as defined in section 1402(a)) for the months in the taxable year ending before the month in which the installment is required to be paid, but not more than

(ii) the excess of **[\$10,800]** *\$13,200* over the amount determined by placing the wages (within the meaning of section 1402(b)) for the months in the taxable year ending before the month in which the installment is required to be paid on an annualized basis in a manner consistent with clauses (i) and (ii) of subparagraph (A).

* * * * *

SECTION 401 OF THE SOCIAL SECURITY AMENDMENTS OF 1972

TITLE IV—MISCELLANEOUS

LIMITATION ON FISCAL LIABILITY OF STATES FOR OPTIONAL STATE SUPPLEMENTATION

SEC. 491. (a) * * *

(b)(1) For purposes of subsection (a), the term "adjusted payment level under the appropriate approved plan of a State as in effect for January 1972" means the amount of the money payment which an individual with no other income would have received under the plan of such State approved under title I, X, XIV, or XVI of the Social Security Act, as may be appropriate, and in effect for January 1972; except that the State may, at its option, increase such payment level with respect to any such plan by an amount which does not exceed the sum of—

(A) a payment level modification (as defined in paragraph (2) of this subsection) with respect to such plan, **[and]**

(B) the bonus value of food stamps in such State for January 1972 (as defined in paragraph (3) of this subsection) **[.]**, and

(C) *in the case of months in the calendar year 1974, the amount by which supplemental security income benefits of the type involved*

were increased by section 210 of Public Law 93-66, as amended by section 4(a)(1) of the law which added this clause.

* * * * *

PUBLIC LAW 92-336

AUTOMATIC ADJUSTMENTS IN BENEFITS AND IN THE CONTRIBUTION AND BENEFIT BASE

Adjustments in Benefits

SEC. 202. (a)(1) * * *

* * * * *

(3) (A) Effective January 1, 1975 *June 1, 1974*, section 215 (a) of such Act (as amended by section 201(c) of this Act) is further amended—

(i) by inserting “(or, if larger, the amount in column IV of the latest table deemed to be such table under subsection (i)(2)(D))” after “the following table” in paragraph (1)(A); and

(ii) by inserting “(whether enacted by another law or deemed to be such table under subsection (i)(2)(D))” after “effective month of a new table” in paragraph (2).

(B) Effective January 1, 1975 *June 1, 1974*, section 215(b)(4) of such Act (as amended by section 201(d) of this Act) is further amended to read as follows:

“(4) The provisions of this subsection shall be applicable only in the case of an individual—

“(A) who becomes entitled to benefits under section 202(a) or section 223 in or after the month in which a new table that appears in (or is deemed by subsection (i)(2)(D) to appear in) subsection (a) becomes effective; or

“(B) who dies in or after the month in which such table becomes effective without being entitled to benefits under section 202(a) or section 223; or

“(C) whose primary insurance amount is required to be recomputed under subsection (f)(2).”

(C) Effective January 1, 1975 *June 1, 1974*, section 215(c) of such Act (as amended by section 201(e) of this Act) is further amended to read as follows:

“Primary Insurance Amount Under Prior Provisions

“(c)(1) For the purposes of column II of the latest table that appears in (or is deemed to appear in) subsection (a) of this section, an individual’s primary insurance amount shall be computed on the basis of the law in effect prior to the month in which the latest such table became effective.

“(2) The provisions of this subsection shall be applicable only in the case of an individual who became entitled to benefits under section 202(a) or section 223, or who died, before such effective month.”

* * * * *

INCREASE OF EARNINGS COUNTED FOR BENEFIT AND TAX PURPOSES

SEC. 203. (a)(1) * * *

* * * *

(b)(1) * * *

* * * *

(2)(A) Section 3121(a)(1) of such Code (relating to definition of wages) is amended by striking out "\$9,000" each place it appears and inserting in lieu thereof "\$10,800".

(B) Effective with respect to remuneration paid after 1973, section 3121(a)(1) of such Code is amended by striking out "\$10,800" each place it appears and inserting in lieu thereof "\$12,000".

(C) Effective with respect to remuneration paid after 1974, section 3121(a)(1) of such Code is amended—

(i) by striking out **["\$12,600"] \$13,200** each place it appears and inserting in lieu thereof "the contribution and benefit base (as determined under section 230 of the Social Security Act)", and

(ii) by striking out "by an employer during any calendar year", and inserting in lieu thereof "by an employer during the calendar year with respect to which such contribution and benefit base is effective".

(3)(A) The second sentence of section 3122 of such Code (relating to Federal service) is amended by striking out "\$9,000" and inserting in lieu thereof "\$10,800".

(B) Effective with respect to remuneration paid after 1973, the second sentence of section 3122 of such Code is amended by striking out "\$10,800" and inserting in lieu thereof "\$12,000".

(C) Effective with respect to remuneration paid after 1974, the second sentence of section 3122 of such Code is amended by striking out "the **["\$12,600"] \$13,200** limitation" and inserting in lieu thereof "the contribution and benefit base limitation".

(4)(A) Section 3125 of such Code (relating to returns in the case of governmental employees in Guam, American Samoa, and the District of Columbia) is amended by striking out "\$9,000" where it appears in subsections (a), (b), and (c) and inserting in lieu thereof "\$10,800".

(B) Effective with respect to remuneration paid after 1973, section 3125 of such Code is amended by striking out "\$10,800" where it appears in subsections (a), (b), and (c) and inserting in lieu thereof "\$12,000".

(C) Effective with respect to remuneration paid after 1974, section 3125 of such Code is amended by striking out "the **["\$12,600"] \$13,200** limitation" where it appears in subsections (a), (b), and (c) and inserting in lieu thereof "the contribution and benefit base limitation".

* * * *

(7)(A) Section 6654(d)(2)(B)(ii) of such Code (relating to failure by individual to pay estimated income tax) is amended by striking out "\$9,000" and inserting in lieu thereof "\$10,800".

(B) Effective with respect to taxable years beginning after 1973, section 6654(d)(2)(B)(ii) of such Code is amended by striking out "\$10,800" and inserting in lieu thereof "\$12,000".

(C) Effective with respect to taxable years beginning after 1974, section 6654(d)(2)(B)(ii) of such Code is amended by striking out "the excess of **[\$12,000]** \$13,200 over the amount" and inserting in lieu thereof "the excess of (I) an amount equal to the contribution and benefit base (as determined under section 230 of the Social Security Act) which is effective for the calendar year in which the taxable year begins, over (II) the amount".

* * * * *

PUBLIC LAW 93-66

* * * * *

TITLE II—PROVISIONS RELATING TO THE SOCIAL SECURITY ACT

PART A—INCREASE IN SOCIAL SECURITY BENEFITS

COST-OF-LIVING INCREASE IN SOCIAL SECURITY BENEFITS

SEC. 201. (a)(1) The Secretary of Health, Education, and Welfare (hereinafter in this section referred to as the "Secretary") shall, in accordance with the provisions of this section, increase the monthly benefits and lump-sum death payments **[payable under title II of the Social Security Act by the percentage by which the Consumer Price Index prepared by the Department of Labor for the month of June 1973 exceeds such index for the month of June 1972]** *payable under sections 202 and 223 of the Social Security Act, and each benefit amount specified in sections 227 and 228 of such Act, by a dollar amount equal, in the case of any benefit or payment, to 7 per centum of the actual amount of the benefit or payment as otherwise determined (adjusted to the next higher multiple of \$0.10). For purposes of the preceding sentence, the "actual amount" of a benefit or payment as otherwise determined is the amount of such benefit or payment as determined under the provisions of title II of the Social Security Act (other than section 215(a)(3)) and without regard to this section, before any offsets and before the application of section 202(i) and section 203 (b) through (l) but after the application of section 202 (k), (q), and (w) and section 203(a) of such Act.*

(2) The provisions of this section (and the increase in benefits made hereunder) shall be effective, in the case of monthly benefits under title II of the Social Security Act, only for months after **[May]** *February* 1974 and prior to **[January 1975,]** *June* 1974, and, in the case of lump-sum death payments under such title, only with respect to deaths which occur after **[May]** *February* 1974 and prior to **[January 1975]** *June* 1974.

[(b) The increase in social security benefits authorized under this section shall be provided, and any determinations by the Secretary in connection with the provision of such increase in benefits shall be made, in the manner prescribed in section 215(i) of the Social Security Act for the implementation of cost-of-living increases authorized under title II of such Act, except that the amount of such increase shall be based on the increase in the Consumer Price Index described in subsection (a).**]**

(c) The increase in social security benefits provided by this section shall—

(1) not be considered to be an increase in benefits made under or pursuant to section 215(i) of the Social Security Act, and

(2) not [(except for purposes of section 203(a)(2) of such Act, as in effect after May 1974)] be considered to be a “general benefit increase under this title” (as such term is defined in section 215(i)(3) of such Act);

and nothing in this section shall be construed as authorizing any increase in the “contribution and benefit base” (as that term is employed in section 230 of such Act), or any increase in the “exempt amount” (as such term is used in section 203(f)(8) of such Act).

(d) Nothing in this section shall be construed to authorize (directly or indirectly) any increase in monthly benefits under title II of the Social Security Act for any month after [December] May 1974, or any increase in lump-sum death payments payable under such title in the case of deaths occurring after [December] May 1974. [The recognition of the existence of the increase in benefits authorized by the preceding subsections of this section (during the period it was in effect) in the application, after December 1974, of the provisions of sections 202(q) and 203(a) of such Act shall not, for purposes of the preceding sentence, be considered to be an increase in a monthly benefit for a month after December 1974.]

* * * * *

PART B—PROVISIONS RELATING TO FEDERAL PROGRAM OF SUPPLEMENTAL SECURITY INCOME

INCREASE IN SUPPLEMENTAL SECURITY INCOME BENEFITS

SEC. 210. (a) Section 1611(a)(1)(A) and section 1611(b)(1) of the Social Security Act (as enacted by section 301 of the Social Security Amendments of 1972) are each amended by striking out “\$1,560” and inserting in lieu thereof “\$1,680”.

(b) Section 1611(a)(2)(A) and section 1611(b)(2) of such Act (as so enacted) are each amended by striking out “\$2,340” and inserting in lieu thereof “\$2,520”.

(c) The amendments made by this section shall apply with respect to payments for months after [June 1974] December 1973.

SUPPLEMENTAL SECURITY INCOME BENEFITS FOR ESSENTIAL PERSONS

SEC. 211. (a)(1) In determining (for purposes of title XVI of the Social Security Act, as in effect after December 1973) the eligibility for and the amount of the supplemental security income benefit payable to any qualified individual (as defined in subsection (b)), with respect to any period for which such individual has in his home an essential person (as defined in subsection (c))—

(A) the dollar amounts specified in subsection (a) (1)(A) and (2)(A), and subsection (b) (1) and (2), of section 1611 of such Act, shall each be increased by [\$840] [\$876] (\$780 in the case of any period prior to July 1974) for each such essential person, and

(B) the income and resources of such individual shall (for purposes of such title XVI) be deemed to include the income and resources of such essential person;

except that the provisions of this subsection shall not, in the case of any individual, be applicable for any period which begins in or after the first month that such individual—

(C) does not but would (except for the provisions of subparagraph (B)) meet—

(i) the criteria established with respect to income in section 1611(a) of such Act, or

(ii) the criteria established with respect to resources by such section 1611(a) (or, if applicable, by section 1611(g) of such Act).

* * * * *

DISSENTING VIEWS OF HON. MARTHA W. GRIFFITHS

OPTIONAL PASS-ALONG OF INCREASES IN SUPPLEMENTAL SECURITY INCOME (SSI) TO RECIPIENTS OF STATE SUPPLEMENTARY PAYMENTS

As Federal legislators, I believe our role is to determine the priorities with which Federal tax dollars should be spent on meeting the needs of the low-income aged. Enacting a basic Federal payment under SSI was an acknowledgement that the old approach was wrong. We found that putting Federal welfare dollars on the stump and letting States claim various amounts, depending on their fiscal capacity and their generosity, resulted in benefits varying much more than State cost-of-living differences, with some levels disturbingly low.

And so we establish SSI as a national program with a uniform basic benefit level to be fully funded by the Federal Government. The objectives and advantages of the new approach were to reduce the drastic differences in benefits now paid by States and to reduce State costs in most States. Federal dollars would go to the neediest individuals in the country and would reduce costs for the neediest States. We said, in effect, that meeting the minimal needs of our aged, blind, and disabled is a Federal responsibility. And we specifically ended Federal matching of State benefits.

But we did not feel we could arbitrarily turn our backs on States that had already set higher benefit levels and thus had substantial State expenditures on welfare. So, under SSI we adopted a "hold harmless" provision. This provision ensures that States can continue to pay benefits at about the levels they were paying in 1972 and not suffer higher welfare costs than they incurred in 1972. States were specifically to be protected against higher caseloads, but benefit increases were to be their own responsibility. The basic premise was that a federally funded program would take over the major cost and that States would be protected against increased costs if they wanted to maintain their present levels. If States wanted to be more generous in the future, they were free to increase State benefits at their own cost. If the Federal floor were raised in the future, this would increase the benefit level for the poorest and would take over some of the costs in States which supplement the basic benefit. This would result in additional savings in these States and in a more equitable Federal program by reducing further State differences.

Now we are proposing to start SSI benefits with a higher benefit level than originally planned. This would result in more savings in most States which supplement to maintain current levels. It would reduce Federal "hold harmless" costs and begin to get the Federal Government out of the business of providing an extra bonus to high income States so they can maintain high payments.

But, we are also proposing to allow States to raise their benefit levels by the amounts of the SSI increase and still come under the "hold

harmless" provision—that is, for as many as 10 States, to allow them to raise their benefits at Federal expense. This would be a departure from the very principles which SSI established—namely, that the role of the Federal Government in financing welfare for those groups is through the basic Federal payment. The optional pass-along provision puts us back into the business of financing variable benefits, instead of focusing on making the Federal benefit more adequate. This is not a "pass-along," but a "match-along." But, whereas States had to pay about 50 percent of benefit costs in the past, under this provision 10 States could have a benefit increase without putting up any additional funds.

Let us look at the arguments raised in support of this match-along provision.

Argument No. 1. This provision will assure that all individuals will receive the benefit of our decision to raise SSI levels in January

This provision does nothing to insure that all SSI recipients in all States will receive an increase in their total income. Persons in States which supplement but are below their "hold harmless" levels will not necessarily see an increase in total income if these States do not use some of their savings from the SSI increase to increase their payment levels.

The basic SSI increase itself will raise the incomes of recipients in the States which do not supplement. But the match-along provision could help the recipients in only 9 or possibly 10 States: California, Hawaii, Massachusetts, Michigan, New York, Nevada, New Jersey, Pennsylvania, Wisconsin, and possibly Rhode Island.

Moreover, the SSI program will not go into effect until 1974. We have voted an increase before the program is operational. The argument that therefore every individual should receive \$10 more and every couple \$15 more in total income—regardless of whether and at what levels their States will supplement—does not seem logical. SSI and State supplementary payments are based on income need, and if people have higher income from other sources such as social security, they become less needy and their need-based payments can be reduced. An SSI or social security increase does not mechanically establish the fact that already higher State payment levels should be increased as well. For example, an increase from \$195 to \$210 a month under SSI does not automatically establish the fact that couples in California require \$409 rather than \$394.

Argument No. 2. The match-along provision will help the poorest people

This is not true. The match-along provision would offer financial protection against benefit increases to 10 States at most, and these are States with already high benefits. The provision would allow California to raise its payment amount for an aged couple from \$394—about 176 percent of the poverty line—to \$409 a month. It will allow Massachusetts to go from \$340.30—about 152 percent of the poverty line—to \$355.50; Wisconsin from \$329—about 147 percent of the poverty line—to \$344; and New York from \$294.51—about 132 percent of the poverty line—to \$309.51.

Most of these increases would be financed by the Federal Government. Without the match-along provision, the Federal Government could reduce its "hold harmless" payments to these States. With the provision, the Federal Government would not realize these savings, and the cost will be \$300 million.

At the same time that we will be paying for \$409 benefits in California, couples in States such as Arkansas, Indiana, Montana, Ohio, Utah, West Virginia, Missouri, North Dakota, Texas, Wyoming, Delaware, and Georgia will be getting only the basic SSI benefit of \$210 monthly. These differences are not justifiable on the basis of different costs-of-living. While there may be some such differences, these wide variations are even greater than differences in State standards of living. Thus, this provision will increase rather than decrease differences in the treatment of individuals, depending on where they live.

Argument No. 3. The cost of this provision is too negligible to worry about

The match-along provision will cost up to \$300 million through 1975. This is a lot of money, although it may seem small compared to the way assistance programs have grown recently. But if we are feeling this generous, we should raise SSI benefits by \$300 million to ensure that the neediest get this money.

Argument No. 4. Since this provision will apply only for 1 year, its effects are minimal

The tendency is to keep special provisions and protections once they have been established. If we accept this provision, not only is it likely to become permanent, but the precedent will be established for passing alone every future SSI increase.

Argument No. 5. The provision helps to pass along the social security increases in 1974

Both social security and SSI benefits will be increased twice in 1974. Yet a pass-along provision will apply to only the January 1974 SSI increase. It is impossible to understand why 10 States should be helped to increase their payment levels for only one of the four increases—the January 1974 SSI increase. It is likely that in all States the two social security increases will merely serve to reduce SSI payments to persons receiving both social security and SSI.

In summary, "hold harmless" protection should be limited to its original purpose—to protect States from caseload increases caused by the transition to a new Federal program with generally more liberal eligibility rules. We should not turn the clock backward to resume Federal matching of inequitable State welfare. We should concentrate on building a strong and fair basic program, and let State variations be the responsibility of State treasuries.

MARTHA W. GRIFFITHS.

**MINORITY VIEWS OF HON. HERMAN T. SCHNEEBELI,
HON. JOEL T. BROYHILL, AND HON. BARBER B. CON-
ABLE, JR.**

We feel obliged to put on the record our reservations about this bill. We commend the committee for at least taking the time to consider the issue of this social security increase, rather than simply accepting in conference social security amendments added by the other body that have not been considered by responsible committee action in the House. This has been a disturbing practice in recent years.

However, even here the committee has continued to follow the practice of providing large social security increases on an ad hoc basis without carefully analyzing the longrun impact on the social security system and on our economy as a whole. As a result of the pressures on us, we have again fallen into the trap of playing a numbers game rather than analyzing the pervasive economic consequences of our action. Too many people depend on the social security system for a large part of their personal security over the next 75 years for us to be comfortable with a cavalier or short-term political approach.

We recognize that inflation has been difficult to control and more rapid than we anticipated when we provided a 20-percent benefit increase in July of 1972. It was for this reason that Congress earlier this year provided a 5.9-percent increase in benefits payable next July as a downpayment on the first cost-of-living increase that would be due at the end of next year. We were also willing to provide an additional increase above the 5.9 percent at this time, and made every effort in the committee to develop a workable proposal.

In this connection, we offered an alternative to the committee bill providing a 10-percent increase in benefits payable beginning July 3 of next year, with an adjustment in the cost-of-living provisions that would have provided an additional 3-percent increase in benefits the following January. The Secretary of Health, Education, and Welfare indicated to the committee that he would be willing to recommend that the President sign this measure, and it was adopted by the committee earlier this week.

Despite extending ourselves, with real reservations, to the very limits of what would be fair to social security beneficiaries, to workers paying the tax, and to all other Americans, the committee succumbed to outside pressure and reversed its decision. We believe this was a mistake.

The procedure followed by the committee focuses myopically on politically popular across-the-board increases for all beneficiaries. The committee failed to consider alternative uses of program resources to provide greater equity in the benefit structure, such as improved benefits for working women who are paying a higher proportion of the benefit costs without a commensurate return.

The committee also failed to consider the severe impact on the budget in the current and succeeding fiscal year that the committee proposal will have. The committee bill would increase expenditures in fiscal 1974 by \$1.115 billion and by \$1.150 billion in fiscal 1975, for a 2-year total of \$2.265 billion. The alternative we offered would have had a net fiscal impact in 1974 of \$270 million, and in fiscal 1975 of \$960 million, for a 2-year total of \$1.230 billion. Thus, the committee proposal increases expenditures in fiscal 1974 by nearly \$900 million over the alternative we offered, and in fiscal 1975 by nearly \$200 million. During the 2 fiscal years, the committee bill provides more than \$1 billion in budget outlays above the level our proposal involved.

The committee failed to recognize that inflation imposes a severe hardship on all of our citizens, including wage earners who are bearing the tax burden necessary to provide social security benefits. These taxpayers must not only bear the additional taxes imposed by this bill, but also shoulder the burden that may be imposed by the inflationary impact of faulty fiscal policy. The benefit increase should have been framed as we proposed to minimize a budgetary deficit in the immediate future. By sharply increasing Federal spending, we undermine our ability to control inflation. Increased inflation will erode the purchasing power of all Americans and impose a burden on every citizen.

We must remember that the social security program has provided economic security for Americans for more than one-third of a century. Presently, 99 million wage earners and 29 million beneficiaries look to the social security program for protection against the contingencies of old age, death, and disability, as well as for protection against medical expenses during retirement. Our commitment to them, and their legitimate expectations, require that we take every precaution to insure the financial integrity of the program, as well as adequate current benefits.

Yet, during the past 3 years, we have been too preoccupied providing benefit increases to conduct a careful review of the assumptions underlying the financing of our social security system. In the last Congress, an entirely new methodology for measuring actuarial soundness, incorporating "dynamic earnings assumptions," was adopted without the committee giving any consideration to the implications of these changes.

The committee bill provides for an imbalance of -0.51 percent of payroll. Our proposal would have had an imbalance of -0.48 percent and improved the long-range cost estimates of the program. While the difference is small, the committee bill is a bad precedent, and symbolic of the inadequate attention we have been giving to the financing aspect of the program.

The time for the committee carefully to review the financing of the social security system is overdue. It is urgent that in the near future we conduct a thorough and complete review of the assumptions underlying our actuarial projections in order to insure the integrity of the system in which so many have invested so much.

We urge the administration to assist the committee in taking a first step toward this goal by promptly appointing the members of the new Advisory Council on Social Security which the law provides shall be established during the current calendar year. We are hopeful that the

new Advisory Council will conduct a careful examination of the social security program, giving particular attention to the actuarial assumptions by which the soundness of the trust funds are measured, and to long-term trends.

There are other fundamental issues that the committee should consider in the near future while comprehensively reviewing our social security system. We need to define the appropriate role that social security should play in relation to other programs to alleviate poverty. When social security was originally established in the mid-thirties, it was designed as an insurance program, providing benefits as a matter of right that are related to the wages on which an individual pays OASDI taxes. The original social security law also included a completely separate Federal-State program of old-age assistance to provide for individuals whose income, including social security, left them in need of assistance.

This two-pronged approach was intended to serve a dual purpose: first, to enable individuals to provide for their own economic security through a social *insurance* system paying benefits as a *matter of right*, without regard to need; and second, to provide a *welfare* program providing assistance on the basis of *need*.

Throughout the years, we have added elements to the benefit structure that dilute the insurance basis of the program by incorporating "social adequacy" criteria. At the same time, we have continued to maintain a program of assistance to the elderly poor. This program was recently expanded to provide greater Federal participation and increased benefits, and the name of the program was changed from old-age assistance (OAA) to supplemental security income (SSI). If social security is to remain an insurance-based program with wage-related benefits payable as a *matter of right*, we must continue to make the distinction between social security and welfare. This will require strengthening the insurance aspects of the benefit formula and relying on supplemental security income to provide for those who are truly in need. We must avoid the temptation and real danger of blurring the distinction between those two programs. If social security is converted into just another welfare program, we will seriously jeopardize the basic concept of an insurance system paying wage-related benefits as a matter of right. This central feature of our social security program is one that must be maintained if we are to keep faith with the American people.

We also should understand that social security is not an efficient vehicle for welfare. While some poor people receive social security benefits, most of the increase in benefits (including that related to expansion of the wage base) goes to persons who do not live in poverty. Thus, to increase benefits for welfare reasons is to move against poverty in a wasteful way rather than to concentrate available fiscal resources where they are most needed. And welfare should be a burden for all taxpayers, not just wage earners.

We should also focus in the near future on the appropriate relationship between our social security program, and individual savings and private pension programs. Social security was originally intended as a floor of protection on which an individual could build an adequate program through individual savings and other private economic se-

curity measures. We have expanded the program considerably beyond the floor-of-protection concept, imposing in the process a substantial payroll tax on the American worker. We cannot continue this trend without carefully reviewing the impact further payroll tax burdens will have on the ability of the American worker to participate in individual savings programs and other private economic security measures.

Under the bill reported, an individual earning \$10,000 a year will pay \$585 in social security taxes and his employer will pay a like amount in his behalf. For the individual earning \$13,200, the maximum taxable earnings in 1974 under the bill, the tax will be \$772.20 for the employee and also for his employer. These are not wealthy individuals, and it is doubtful that they are able to save much in excess of this amount after meeting their Federal and State income tax obligations, and providing for the support of their families and the education of their children.

We must insure that future expansion of the program does not impose a payroll tax burden on these individuals so large that they are precluded as a practical matter from participating in private pension plans or saving on an individual basis.

The bill also increases the Federal benefits under the new supplemental security income (SSI) program taking effect next January; from \$130 per month to \$140 per month for an individual, and from \$195 per month to \$210 per month for a couple. These increases, effective in January, will be followed by an additional increase next July of \$6 per month for an individual and \$9 per month for a couple. This will bring Federal benefits as of next July to \$146 for an individual, and \$219 for a couple. These amendments help the truly needy and recognize the distinction that has historically been made between our insurance based social security system, paying benefits as a matter of right, and our public assistance program, paying benefits to those who are in need. While we have reservations about the need for the additional increase scheduled in July, we support the January increase.

The new SSI program replaces the categorical public assistance program for needy adults under which the Federal Government assisted the States in providing benefits at levels prescribed by each State. Under the old program, the Federal Government provided from 50 to 83 percent of the costs a State incurred in paying benefits to qualifying needy adults. Under the new SSI program, the Federal Government does not participate in the costs of State supplementary payments above the new Federal benefit levels. However, the Federal Government does assume all of a State's costs of supplemental payments which exceed its calendar 1972 share of the costs for covered needy adults, as long as State supplemental payments, when added to the SSI payment, are not in excess of the adjusted State payment standard in effect in January of 1972. Payments in excess of the 1972 standard must be made wholly from State funds.

The bill reported by the committee would extend this "hold harmless" provision to State supplemental payments in excess of their January 1972 payment standard as long as the excess is no more than the \$10 and \$15 increase in Federal SSI benefits provided by this bill.

The proposal would be effective only for calendar 1974, and would cost \$100 million. We believe this is a mistake.

The SSI program establishes a basic payment to which each State may add a supplement, up to a level deemed appropriate by each individual State. This may be done in each State after reviewing economic factors in their State relevant to the needs of their citizens. It should also be done from State funds in view of the substantial fiscal relief they were provided when the Federal Government undertook greater responsibility for needy adults under the new SSI program, and in view of the \$30 billion we are providing State and local governments under revenue sharing.

The committee bill encourages the States with the highest benefit levels to increase their own State standards at the expense of the Federal Government. Even if a State feels its benefit levels are already more than adequate, it will feel compelled to increase them if the Federal Government is picking up the tab. When the Federal Government is offering "free money" to citizens of a State, it is difficult for a State government to do anything other than pass on the benefits. The practical effect of the committee's action is to mandate an increase in State benefit levels.

We do not take consolation in the fact that the "pass through" is for only 1 year. Once the provision is on the books, it will be virtually impossible to remove, and it establishes a bad precedent for future adjustments in the new SSI program.

CONCLUSION

In summary, we differ with the committee on both substance and procedure. The committee proposal will have an adverse fiscal impact on the current and succeeding fiscal year that will make it more difficult to control inflation. The proposal we offered would have generously provided for the needs of social security beneficiaries while avoiding the danger of eroding the purchasing power of all Americans.

We also feel that the provisions in the committee bill encouraging some States to increase their welfare standards for needy adults for a 1-year period at Federal expense is a mistake. It interferes with the decisionmaking process which should be at the State level and at State expense. And it is foolhardy to expect that this provision of law will only last for 1 year.

Finally, we find serious fault with the procedural approach the committee adopted in considering this bill. We should not consider something as complex as a social security increase under severe time pressures imposed by political exigencies. Instead, we should allow sufficient time to carefully review the financing of the system, analyze alternative uses for resources of the system, and carefully evaluate the long-range effect on the social security system and American life of the proposals we adopt.

HERMAN T. SCHNEEBELI.
JOEL T. BROYHILL.
BARBER B. CONABLE, JR.

The first part of the paper discusses the importance of the study of the history of the United States. It is argued that a knowledge of the past is essential for a full understanding of the present. The author then proceeds to a detailed examination of the various factors that have shaped the development of the United States, including the role of the individual, the influence of the environment, and the impact of the social system. The author concludes that the study of the history of the United States is a task of great importance, and that it is one that should be undertaken by all who are interested in the future of the country.

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ADDITIONAL MINORITY VIEWS OF HON. BILL ARCHER

While I agree with many of the points expressed in the minority views, I have additional concerns that I want to specifically express. In the last 3 years, Congress has passed a series of benefit increases far in excess of the cost of living and has enacted pervasive changes in the financing of the social security system with little regard to the impact these measures have on present and future generations of Americans.

The social security program has provided economic security for nearly all Americans for more than one-third of a century. Hastily considered changes of the most fundamental nature can only undermine the protection against loss of income that those paying social security taxes rightly expect. The committee bill allows the system to drift like a leaf in the prevailing political winds. We should have taken the necessary time to develop an appropriate increase with due regard to the impact this has on other aspects of our social security program, particularly the financial integrity of the system. For the reasons discussed in these views, I believe the committee has acted without due regard to these consequences.

COMMITTEE HAS FAILED TO PROPERLY EVALUATE ACTUARIAL ASSUMPTIONS

Last July when the committee provided a 20 percent across-the-board benefit increase, dramatically different assumptions were adopted in measuring the actuarial soundness of the OASDI program. The most significant of these changes involves the assumption of "dynamic earnings." Under this assumption, the actuaries make projections about future earnings levels throughout the entire 75-year period covered by the estimates. The uncertainties of these estimates and other economic projections subject the cost estimates to vicissitudes that the actuaries have not had to deal with in the past.

The change to dynamic earnings did not raise anyone's taxes at all, but the consequences of making these assumptions increased projected income beyond estimated increased disbursements, and enabled the Congress to provide a 20-percent benefit increase without the pain of imposing additional taxes.

The new methodology is complex and not without controversy. The former Chief Actuary of the Social Security Administration, Robert J. Myers, who has more experience with the system than any other living human being and is widely regarded as one of the foremost actuarial experts on social security, stated that "This would be an unsound procedure..." He went on to state:

What it would mean, in essence, is that actuarial soundness would be wholly dependent on a perpetually continuing inflation of a certain prescribed nature—and a borrowing from the next generation to pay the current generation's

benefits, in the hope that inflation of wages would make this possible.

In view of this admonition by a leading expert who has devoted his whole life to the program, the Ways and Means Committee and the House of Representatives should have carefully examined these new assumptions before adopting them in order to provide benefit increases. The Ways and Means Committee last year did not look into the matter at all. The new assumptions were adopted in connection with a social security increase added by the other body as a nongermane amendment to a public debt bill and promptly adopted by the House when it acted on the conference report.

In view of this record, the committee should have carefully examined these new assumptions before providing an additional benefit increase. However, the committee reported this bill without even giving cursory attention to the new methodology. During the course of our executive sessions, I asked the following questions of the present actuary with primary responsibility for OASDI cost estimates:

Mr. ARCHER. * * *

Do you agree as a chief actuary that the change to dynamic earnings was a significant and fundamental change in the actuarial methodology employed in measuring the soundness of the program?

Mr. BAYO. Yes, I agree that it has been a fundamental change in the methodology of the long-range costs of the social security program.

Mr. ARCHER. * * *

Now is it more difficult to make estimates on the new basis than it was in the past?

Mr. BAYO. Yes. As far as the economic assumptions go it is more difficult to prepare the cost estimates

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Mr. ARCHER. Are the estimates on the basis of dynamic earnings less precise or to put it another way, subject to wider variations on the basis of actual experience than in the past?

Mr. BAYO. Yes, sir, they are.

Mr. ARCHER. Specifically, do you feel that the 10 percent tolerance for imbalances in the past should be expanded and if so, by how much?

Mr. BAYO. I feel that the 10 which was based on the level of variability on the previous method of estimating the cost should be increased to a wider range, around 5 percent.

The record before the committee, therefore, made clear that the new methodology represents "a fundamental change," that "it is more difficult to make estimates on the new basis than in the past", and that estimates are now "subject to wider variations on the basis of actual experience." Despite these statements made to the committee, we did not even give cursory attention to the implications of this new methodology.

The record of cost estimates since the new methodology was adopted illustrates the wide range of error that cost estimates are now subject

to even in the very short range. After adopting the 20-percent increase last July and enacting significant amendments in the program in connection with H.R. 1 last fall, the OASDI system was in actuarial balance—.00 percent of payroll. When the trustees' report was filed earlier this year, the fund was already out-of-balance $-.32$ percent and this was increased to $-.42$ percent when we enacted the 5.9 percent benefit increase in connection with Public Law 93-66 earlier this year. When the committee recently began considering the subject of a social security increase, a pamphlet was prepared on October 30, showing the OASDI program to be out-of-balance by $-.68$ percent. A few days later, we were given another estimate indicating that the program was out-of-balance by $-.76$ percent of payroll. This experience concretely demonstrates the validity of the actuaries' assertion that estimates are now much more difficult to make and much less precise.

In the past, it was assumed that actual experience would vary from the estimates by no more than 1 percent of the level costs of the system, equivalent to about .12 percent of payroll in recent years. The actuaries tell us that under the new methods, actual experience will vary by as much as 5 percent of the projected level costs of the system, equivalent now to about .57 percent of payroll. In view of the imprecision of the new methodology, the committee should err even more on the conservative side to guard against down side risks.

Despite this, the committee has made it clear that while 1 percent was as much of an imbalance as could be tolerated in the past, they will now tolerate an imbalance of 5 percent. Put another way, although the estimates are subject to experience variations five times as great as in the past, the committee will now tolerate a deficit in the system five times as great as in the past.

In addition to adopting the wider tolerances in spite of the uncertainty attending the new methodology, the committee assumed throughout its deliberations that funding would be established on the bottom side of the range, or around $-.57$ percent of payroll. The difference between $+.57$ percent of payroll and $-.57$ percent of payroll is more than 1 percent of payroll—10 percent of the cost of the system. In view of the wide range involved and the contingencies the estimates are subject to, the prudent course would have been to allow a margin for error and finance the system at $+.57$ percent of payroll. Instead, the committee bill leaves the system with an actuarial imbalance of $-.51$ percent.

This imbalance involves astronomical dollar figures over the 75-year estimating period. The $-.51$ percent imbalance alone is estimated to result in a deficit of \$225 billion over 75 years. If experience varies by $-.57$ from this projection, as the actuaries say it may, the projected imbalance would increase to 1.08 percent of payroll—nearly 10 percent of the costs for the system. This imbalance would be equivalent to one-half trillion dollars over the 75-year estimating period.

Another aspect of the new methodology involves a shift to current cost financing. This foregoes a large build up of funds in early years that would provide interest earnings to the fund. Under current cost financing, which was recommended by the last Advisory Council, assets in the trust fund should be equal to about 1 year's benefit. In

explaining their recommendation for current cost financing, the Advisory Council stated:

To carry out this recommendation, the contribution rate charged should be sufficient only to result in trust funds equal to approximately 1 year's benefit expenditures, and the law should be changed to require the boards of trustees to report immediately to the Congress whenever it is expected that the size of any of the trust funds will fall below three-quarters of the amount of the following year's estimated expenditures, or will reach more than $1\frac{1}{4}$ times such expenditures. The trustees should be responsible for proposing changes that would keep the trust funds at the recommended level.

Despite this, the ratio of assets to the following year's benefit disbursements in the OASDI trust funds under the committee's bill is expected to decline steadily from 72 percent in 1974 to 62 percent in 1978. Although the Advisory Council recommended that the trustees warn Congress if benefits were to fall below three-quarters of 1 year's benefit, the committee has in this bill provided a benefit and tax schedule which will result in assets declining to below two-thirds of 1 year's benefit within the next few years.

When the Congress adopted dynamic earnings assumptions and current cost financing last year, it was stated that the funds should be allowed to gradually build up to equal one year's benefit disbursements. Despite this, only a year later, the committee has now taken action that will reduce the ratio to 62 percent.

In view of the procedures I have outlined, I do not believe the committee has taken the time to conduct a review of the financial integrity of the system. I agree with the minority views that the committee should conduct a thorough review of the program at the earliest opportunity, giving particular attention to financing.

CUMULATIVE INCREASES IN RECENT YEARS IMPOSE LARGE BURDEN ON THE WORKING MAN

Since January 1, 1970, social security benefits have been increased by 51.8 percent. During the same period, the Consumer Price Index has increased by 19.6 percent. When the 11-percent increase becomes effective next June, benefits will have been increased since January 1970 by 68.5 percent. It is estimated that during this period, the Consumer Price Index will have increased by 24.4 percent.

I am concerned that the cumulative increases in recent years, combined with the increase proposed in this bill, are setting a pattern for social security increases that will substantially augment the already heavy payroll tax burden the American worker is carrying. The wage base will be increased under this bill to \$13,200 effective next January 1, and tax increases are also proposed for future years. A worker with \$10,800 annual earnings—the current wage base—is now paying a payroll tax of \$631.80 per year. Next January 1, when the wage base is raised to \$13,200, an individual earning the maximum taxable earnings will pay a tax of \$772.20 per year, an increase of \$140.40. This is a very heavy burden on a worker attempting to support his family and educate his children.

The increase in the wage base that will take effect next year appears at first blush to affect only a small number of workers who are earning more than the present wage base of \$10,800. However, with today's earnings levels and prices, this is not a great deal of money and 20.5 million wage earners will receive a tax increase when the wage base is increased next year.

Additionally, it must be remembered that the employer must also pay a tax equivalent to that levied on the employee into the trust fund for the employee's benefit. It is generally agreed that the economic incidence of this tax falls on the employee, since it increases the employer's costs attributable to the employee and uses up resources that would otherwise be available to pay wages. The combined employer-employee tax at the maximum wage base next year will be \$1,544.40. The tax burden imposed directly and indirectly on an employee is, therefore, substantial and we must be concerned about it.

I also want to emphasize that the tax is not simply a burden on individuals earning the maximum taxable wage. Data show that the social security employee tax alone is larger than the income tax imposed on a man with a wife and two children at all income levels up to \$7,073.89. If the employer's tax, which the employee indirectly pays, were included, this figure would be substantially higher.

I believe it is unfair to rely so heavily, particularly in the near future, on increases in the wage base. Under present law, the wage base is scheduled to increase from \$10,800 to \$12,600. The committee bill raises the wage base next year to \$13,200. This means that the 14.4 million workers earning more than \$12,600 will be shouldering a disproportionately large share of the cost to finance the benefit increase provided. The 1.5 million workers who earn between \$12,600 and \$13,200 will bear the heaviest burden. When we realize there will be 100 million covered workers next year and 30 million beneficiaries, this is inequitable.

Although I recognize the need to periodically increase benefits to protect beneficiaries against inflation, these are hard facts that must be weighed heavily in connection with future increases that we may consider. If we consider the burden we are imposing on today's workers, we will stop postponing the automatic benefit increases provided in the law and let the escalator clause begin working. By postponing the operation of this provision, the committee creates the danger that benefits will be continually increased on a political basis rather than a cost-of-living basis.

THE RETIREMENT TEST SHOULD BE ELIMINATED

The retirement test in present law diminishes an individual's social security benefits for any month in which he earns more than \$175, if his earnings for the year exceed \$2,100. This reduction in benefits is a deterrent to older workers who desire to remain economically productive during their retirement years. It not only imposes a penalty on the individual, but on society as a whole by depriving the economy of the services of many industrious and skilled people.

This provision in one form or another has been in the law since the program was enacted in the middle thirties. At that time, we were re-

covering from a great depression and unemployment was widespread. One of the reasons for including the provision was the need to insure that younger people would be able to find employment. Under present economic circumstances, this argument is no longer valid.

If individuals pay into the system all of their lives in order to receive wage-related benefits as a matter of right when they retire at age 65, they should receive these benefits and not be penalized because of the individual life style they prefer to follow in their later years.

I realize that the fiscal impact of repealing the retirement test is significant, and action to achieve this goal must, therefore, be taken consistent with fiscal responsibility. However, I point this out in order to call attention to the need to give this item a high priority in utilizing future resources.

ADDITIONAL CONCERNS

I share the concern expressed in the minority views that we must strengthen the insurance basis of the system if it is not to simply become another welfare program. This would be a tragedy to millions of Americans who pay social security taxes during their working years with the expectation that they will receive benefits as a matter of right when they retire.

I also share the concern expressed in the minority views that the increasing expansion of social security may unduly impinge on private economic security measures. Social security is an important part of the retirement plans of nearly all Americans, but they should remain free to express individual preferences about current consumption and savings. And when they choose to save they should have alternatives to a compulsory government program.

PASS THROUGH

I also want to align myself with the opposition expressed in the minority views to the provisions of the committee bill that would apply the "hold harmless" provisions of existing law to increases in State welfare standards applicable to needy adults. The States should be free to select their own benefit levels based on conditions prevailing in each State. They should not be coerced by the Federal Government into expanding their systems beyond what they deem prudent. It is a mistake to require the citizens of one State to pay Federal taxes to provide increases in benefit levels in another State which may already be unreasonably high.

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